Transnational Financial Associations and the Governance of Global Finance

Assembling wealth and power

Heather McKeen-Edwards and Tony Porter

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ROUTLEDGE

Transnational Financial Associations and the Governance of Global Finance

The role of business in global governance is now widely recognized, but exploration of its role in global financial governance has been more haphazard than systematic. This book provides the first comprehensive analysis of the role of transnational financial associations (TFAs) in the organization of global finance.

This book develops three theoretical themes of assemblage, functionality, and power as enrollment. These themes challenge approaches that treat financial power as emanating from a single location or force. Whilst existing approaches tend to treat TFAs as irrelevant or as merely transmitting power originating elsewhere, this book argues that power must be created by painstakingly assembling actors, networks, and objects that are often quite autonomous and working at cross purposes to one another—a process in which TFAs play a central role. The book explores these themes in chapters examining the roles of TFAs in interacting with public authorities, constructing global financial markets and creating financial communities. The authors additionally analyze the roles of TFAs in the European Union, in the global South, and in promoting goals other than profitability, including Islamic finance, microfinancing, savings banks, and cooperatives.

Making a distinctive contribution to our understanding of global finance and global governance, *Transnational Financial Associations and the Governance of Global Finance* is an important book for students and scholars of international political economy, finance, global governance, and international relations.

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Finally, this book is not meant to be a final statement on the role of transnational financial associations in global finance, but instead to assemble information about them, develop more systematically our understanding of their roles, and thereby open a larger discussion of their significance. There are still unresolved tensions, interesting connections, and ongoing impacts to be elaborated and we look forward to engaging with other scholars to understand these more fully.

Abbreviations

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ABA	ASEAN Bankers Association
ABWA	Accountancy Bodies of West Africa
ACCA	Association of Chartered Certified Accountants
ACCU	Association of Asian Confederation of Credit Unions
ACH	automated clearing house
ACIIA	Association of Certified International Investment Analysts
ACORD	Association for Cooperative Operations Research and Development
AFME	Association for Financial Markets in Europe
AFMIN	Africa Microfinance Network
AFRACA	African Rural and Agricultural Credit Association
AGN	Accountants Global Network
AIFM	Alternative Investment Fund Managers
AIMA	Alternative Investment Management Association
AIO	African Insurance Organization
ALIDE	Latin American Association of Development Financing Institutions
ANNA	Association of Number Agencies
ANT	Actor Network Theory
APEC	Asia Pacific Economic Cooperation
APLMA	Asia Pacific Loan Market Association
ARC	Accounting Regulatory Committee (European Commission)
ARCIFI	Arbitration and Reconciliation Centre for Islamic Financial Institutions
ASCA	Arab Society of Certified Accountants
ASEAN	Association of Southeast Asian Nations
ASIFMA	Asia Securities Industry & Financial Markets Association
ATSWA	Accounting Technicians Scheme West Africa
BCBS	Basel Committee on Banking Supervision
BIC	Bank Identifier Code
BWPN	Banking with the Poor Network

CACCI	Confederation of Asia Pacific Chambers of Commerce and Industry
CACs	collective action clauses
CAIA	Chartered Alternative Investment Analyst designation
CAPA	Confederation of Asian & Pacific Accountants
CARICOM	Caribbean Community
CCP	central counterparty
CDS	credit default swap
CDSB	Climate Disclosure Standards Board
CEBS	Committee of European Banking Supervisors
CEFA	Certified European Financial Analyst
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESR	Committee of European Securities Regulators
CFA	Chartered Financial Analyst
CFP	Certified Financial Planner
CGAP	Consultative Group to Assist the Poor
CIBAFI	(General) Council for Islamic Banks and Financial Institutions
CIIA®	Certified International Investment Analysts designation
CIMA	Chartered Institute of Management Accountants
CIPA	Certified Islamic Professional Accountant
CIPM	Certificate in Investment Performance Measurement
COLAC	Latin American Confederation for Savings and Loans Cooperatives
COMESA	Common Market for Eastern and Southern Africa
COSSE	Committee of SADC Stock Exchanges
CRAs	credit rating agencies
CRMPG	Counterparty Risk Management Policy Group
CRO	Chief Risk Officer
CSAA	Certified Shari'a Adviser and Auditor
CSR	corporate social responsibility
DC	Determinations Committee (of ISDA)
DTCC	Depository Trust and Clearing Corporation
EACB	European Association of Cooperative Banks
EACH	European Association of Central Counterparty Clearing Houses
EACRA	European Association of Credit Rating Agencies
EAPB	European, Association of Public Banks
EBF	European Banking Federation
EBIC	European Banking Industry Committee
EBT Network	European Bank Training Network
ECBDA	European Covered Bond Dealers Association
ECBS	European Committee for Banking Standards
ECOWAS	Economic Cooperation of West African States

ECSAFA	Eastern, Central and Southern African Federation of Accountants
ECSDA	European Central Securities Depositories Association
EFAA	European Federation of Accountants and Auditors for SMEs
EFBS	European Federation of Building Societies
EFFAS	European Federation of Financial Analysts Societies
EFRAG	European Financial Reporting Advisory Group
EHYA	European High Yield Association
EMF	European Mortgage Federation
EMTA	Emerging Markets Traders Association
EONIA	Euro OverNight Index Average
EPC	European Payments Council
EPDA	European Primary Dealers Association
EPMD	European Primary Markets Division
ERC	European Repo Council
ERP®	Energy Risk Professional
ESBG	European Savings Banks Group
ESF	European Securitisation Forum
ESIS	European Standardised Information Sheet
ESMA	European Securities Markets Authority
ESSF	European Securities Services Forum
EU	European Union
EURIBOR	Euro Interbank Offered Rate
Eurofinas	European Federation of Finance House Associations
FAIR	Federation of Afro-Asian Insurers & Reinsurers
FASB	Financial Accounting Standards Board (of the United States)
FEAS	Federation of Euro-Asian Stock Exchanges
FEE	Federation of European Accountants
FELABAN	Latin American Banking Federation
FESCO	Forum of European Securities Commissions
FESE	Federation of European Securities Exchanges
FISD	Financial Information Services Division
FLG	Financial Leaders Group
FLWG	Financial Services Working Group
FOA	Futures and Options Association
FPSB	Financial Planning Standards Board
FRM®	Financial Risk Manager
FSAP	Financial Services Action Plan
FSF	Financial Stability Forum
G7	Group of Seven
G20	Group of Twenty
G30	Group of Thirty
GARP	Global Association of Risk Professionals
GFMA	Global Financial Market Association
GPE	global political economy

GRI	Global Reporting Initiative
HFSB	Hedge Fund Standards Board
IAA	International Actuarial Association
IAC	Insurance Association of the Caribbean, Inc.
IAFEI	International Association of Financial Executives Institutes
IAIS	International Association of Insurance Supervisors
IAMFI	International Association of Microfinance Investors
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IBAN	International Bank Account Number
IBF	Islamic Banking and Finance
IBFed	International Banking Federation
ICA	International Compliance Association
ICAC	Institute of Chartered Accountants of the Caribbean
ICIA	International Council of Investment Associations
ICMA	International Capital Market Association
ICMIF	International Cooperative and Mutual Insurance Federation
IDEI	Domestic Encompassing Interest
IEEI	European Encompassing Interest
IFAC	International Federation of Accountants
IFAD	International Fund for Agricultural Development
IFRIMA	International Federation of Risk and Insurance Management Association
IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IGTA	International Group of Treasury Associations
IIF	Institute of International Finance, Inc.
IIFA	International Investment Funds Association
IIFM	International Islamic Financial Market
IIGC	ISDA Industry Governance Committee
IIRA	International Islamic Rating Agency
IIS	International Insurance Society
IMF	International Monetary Fund
INAISE	International Association of Investors in the Social Economy
IOSCO	International Organization of Securities Commissions
IPFA	International Project Finance Association
IPO	initial public offering
IRCA	International Register of Certificated Auditors
ISDA	International Swaps and Derivatives Association
IsDB/IRTI	Islamic Development Bank's Islamic Research and Training Institute
ISG	Intermarket Surveillance Group
ISO	International Standards Organization
LDC	least developed country
Leaseurope	European Federation of Leasing Company Associations

LIBA	London Investment Banking Association
LIIBA	London & International Insurance Brokers' Association
LSTA	Loan Syndications and Trading Association
MAIN	Microfinance African Institutions Network
MFIs	microfinance institutions
MIT	Massachusetts Institute of Technology
MMG	Market Monitoring Group
MoU	Memorandum of Understanding
MTFs	multilateral trading facilities
NACHA	National Automated Clearing House Association
NGO	non-governmental organization
NYCHA	New York Clearing House Association
NYSE	New York Securities Exchange
OAS	Organization of American States
OCC	Options Clearing Corporation
OECD	Organisation for Economic Co-operation and Development
OIC	Organization of the Islamic Conference
OTC	over-the-counter
PAAinE	Proactive Accounting Activities in Europe
PAFA	Pan African Federation of Accountants
PCCT	Professional Conduct Codes Taskforce (of EFFAS)
PEACH	Pan-European Automated Clearing House
PPP	public-private partnership
PRIMA	Professional Risk Managers' International Association
PRM	Professional Risk Manager
PSD	Payment Services Directive (European Union)
RMA	Risk Management Association
RONIA	Repurchase OverNight Index Average Rate
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SAFA	South Asian Federation of Accountants
SAFE	South Asian Federation of Exchanges
SAMN	South Asian Microfinance Network
SDRM	Sovereign Debt Restructuring Mechanism
SEC	US Securities and Exchange Commission
SEPA	Single Euro Payments Area
SIFIs	Systemically Important Financial Institutions
SIFMA	Securities Industry and Financial Markets Association
SIIA	Software and Information Industry Association
SMEs	small and medium-sized enterprises
SMPG	Securities Market Practice Group
SWIFT	The Society for Worldwide Interbank Financial Telecommunication
TFA	transnational financial association

UCITS	Undertaking for Collective Investments in Transferable Securities
UCP	Uniform Customs and Practice for Documentary Credits
UK	United Kingdom of Great Britain and Northern Ireland
UNCTAD	United Nations Commission for Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
US	United States
USAID	United States Agency for International Development
US GAAP	United States Generally Accepted Accounting Practices
WABAO	West African Bankers Association
WATCH	World Automated Transaction Clearing House
WFE	World Federation of Exchanges
WMBA	Wholesale Markets Brokers Association
WOCCU	World Council of Credit Union
WSBI-ESBG	World Savings Bank Group-European Savings Bank Group
WWB	Women's World Banking
XML	extensible markup language

1 Introduction

Private authority and private associations in global finance and global governance

How powerful is global finance? What is the source of this power? How do financial firms organize together to achieve their goals? How do financial practices shape our globalizing world? In recent decades the explosive growth and acceleration of cross-border financial flows, punctuated by disastrous global crises, have been among the most prominent features of globalization. Finance seems to express an awe-inspiring and sometimes terrifying power, conferring vast wealth on some, and suddenly casting others into poverty. Yet the character of this power remains elusive. During the global financial crisis of 2008 the terribly destructive power of finance was especially evident. Extraordinary government measures at extraordinary cost were taken to rescue the global financial system and to regain control of the spreading economic crisis that the financial crisis had caused. Wall Street firms at the center of the global financial universe teetered, and some collapsed, but others emerged stronger than ever. Soon some, like Goldman Sachs, were again making breathtaking profits, and ambitious calls at the peak of the crisis drastically to rein in or restructure global finance were fading, displaced by modest incremental adjustments to the existing global financial architecture, allowing the power of leading financial actors to remain remarkably intact. How can we better understand this fearsome but apparently unpredictable power?

This book aims to understand better the power of global finance by examining the way that firms and other private financial actors work together in transnational financial associations (TFAs). As we shall see, there are a surprising number and variety of such associations, ranging from associations of the most powerful firms that played prominent roles in the global policy responses to the 2008 financial crisis, to smaller, regionally oriented associations of financial professionals in the developing world. Associations are important because power in our complex, fast moving and distanciated world requires organization to function. In other less globalized eras it might not be unreasonable to assume that a series of local financial notables could dominate their respective communities through shared informal cultural or social ties that were too tacit to be considered a form of organization. By contrast, today it is simply not possible for a global financial elite to coordinate global finance in this way. The exercise of power over the vast domain of global finance cannot rely on tacit understandings or secret backroom deals alone, but must leave its traces in the associations, texts and private-sector rules that, as we will show, richly populate the field of global finance.

TFAs and power in global finance

Those seeking to understand the power of global finance have often looked elsewhere, underestimating the role of TFAs, and one of the goals of this book is to show why this is a mistake. One approach is to focus on individual firms such as Goldman Sachs, characterized in the memorable words of *Rolling Stone* writer Matt Taibbi as "a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money."[1] In addition to its complex and exceptionally profitable market operations, a remarkable number of high officials and policymakers have previously held positions at Goldman Sachs, including Robert Rubin and Hank Paulson, US Treasury Secretaries under Presidents Clinton and G.W. Bush, respectively. Others analyzing the source of power in finance have focused on sets of leading banks or a financial elite that appear to exercise their power without being linked in any type of association. An example is Johnson and Kwak (2010), who trace "the Wall Street takeover" to "the new financial oligarchy" symbolized by the 13 or so bank CEOs who have exercised extraordinary influence in Washington through recent administrations, Democratic and Republican. Often this type of influence is linked to the *structural power* of finance in contemporary capitalism, a strong theme in the Marxist tradition, which has seen financial power as originating in the central organizational role that finance plays, both as a social class and through its ownership and control of the means of production. Yet others have looked to the power of the leading states within which the largest financial firms are headquartered, especially the United States, which has aggressively promoted the expansion of finance around the world. This is an especially prominent theme in the state-centric realist tradition in the study of the global political economy (GPE).

These approaches provide valuable insights into the sources of power in global finance, but in this book we argue that they are seriously incomplete. While the power of finance was displayed in the 2008 global financial crisis, so too were its failures. Some of the largest and wealthiest firms and markets, using the most sophisticated mathematical modeling available, spun fatally out of control. Where powerful governments acted as patrons of powerful financial actors, they too failed to predict or prevent the crisis. These failures vividly illustrate the difficulty of consistently producing and deploying power in the financial sector. Even one market within global finance, such as the market for credit default swaps, can be complex, and the risks, expectations, and commitments involved in it can be dangerously obscure. Global finance as a whole is unfathomably complex. A leading bank or group of banks working individually may be able to draw on their wealth or the central role they play in the economy to influence markets or policymakers at any particular moment, but their efforts can be confounded by the difficulty of sustaining and extending that influence beyond its initial exercise. Leading banks may find it difficult to coordinate their efforts. Even when powerful states seek to empower financial actors, they too face similar challenges. Other actors or technical systems, working against or at cross purposes to leading banks, often unpredictably, can dissipate or redirect the momentum of any attempt to exercise influence. For financial power to be consistently and extensively produced and deployed globally, coordination is needed, and for this TFAs are crucial.

What are TFAs?

The universe of financial associations is huge, and we have chosen to focus on a subcategory of this larger universe: *transnational* financial associations (TFAs). We define TFAs as financial associations that have members from more than one country. This is partly to keep the number of associations we examine manageable: if national and local financial associations were included there would be thousands to examine, many concerned with very particular local issues. More importantly, we are especially interested in *global* finance, and the most important financial associations in global finance are likely to have members from more than one country. While our analysis often includes quite recent developments in the work of particular TFAs, it is also based on our efforts to construct a database that comprises all the TFAs that existed in a particular time span: 2002–05.[2] The associations were identified with the help of the *Yearbook of International Associations*, snowball searching from one website to another, an examination of relevant scholarly and trade literatures, and interviews with regulators and officials from associations. Ongoing updating of this database to the present was impractical, but we are confident that we captured all the significant TFAs that were active in this time period. Table 1.1 summarizes the industry sector and region from which the 225 TFAs that we found come.[3]

Table 1.1 Breakdown of associations examined by region and sector

	International (Islamic)	*Europe*	*Africa*	*Arabic*	*Asia*	*Americas and the Caribbean*	*Total*
Banking	17	7	3	3	5	5	40
Securities	30	17	3	1	6	2	59
Insurance	13	4	6	2	3	4	32
Accounting	11 (1)	6	2	1	4	2	26
Microfinance	6	1	3	1	3	1	12
Mixed*	35 (4)	7	2	–	3	6	53
Total	112 (5)	42	19	8	24	20	225

Note: * The mixed category contains associations that cannot be easily placed in any of the other categories, often because their work spans across banking, securities and/or insurance. In this case, it includes associations for development finance, risk management, and mortgages, among others.

This table clearly reveals the breadth and depth of associational activity across finance. It is easily apparent that there is a vibrant and viable associational life in all the sectors and regions of the financial landscape. In particular the quantity of regional associations, and their geographic dispersion, is interesting. One is not surprised that there is a plethora of financial associations focused on Europe (and the European Union (EU) area more specifically). The age and strength of the regional financial markets and the increasing role of the EU in setting financial regulations and policy is a clear incentive for individual corporations and national associations to be active at the regional level.

In addition to cataloguing institutional features like size, membership, location and sector, among others, associations were also examined to determine their different activities, services and roles. At the aggregate level that the database provides, one can see four main categories of functions in which associations are engaged: public/private connections and advocacy; standards and other private governance; training and education; and research and publications. When looking at the associations broadly, the database reveals that there is some distinction between how associations work to achieve their objectives. Out of the 225 associations examined, 179 had public/private links or participated in advocacy, 80 included processes of standard and code creation, 106 provided some form of training or education, and 171 took on research activities. Although this breakdown does not show the level of importance given to activity by any particular association, it does show some commonalities in the actions that financial associations take. Figure 1.1 visually represents the degree that associations take on multiple activities in overlapping but also varied forms.

Of the 225 associations that were examined, only 25 had distinctive work in all four areas. That said, the majority of associations did undertake more than one functional activity with just over 40 taking on only one role, which indicates a high degree of overlap and complementary between the different activities, indicating that their impacts are significantly more complex and multi-dimensional than one might think. There is also no single role that dominates across TFAs. Although advocacy and public/private partnerships are clearly important for associations, the importance of research and training highlight the breadth of some less traditionally examined forms of governance and market building to which associations can contribute in global finance. To understand how these roles influence the functioning of their respective financial markets and global finance more generally a more comprehensive focus is needed.

How do TFAs vary?

Broadly speaking, there are three main interrelated ways that financial associations help produce and deploy financial power. The *first* is to influence public authorities, which can include getting public authorities to take

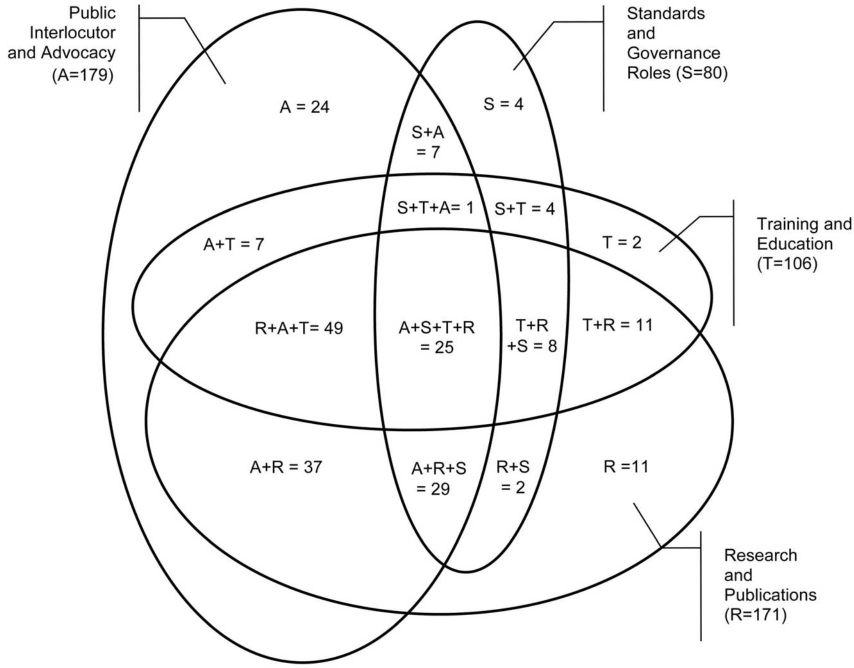

Figure 1.1 TFA activities

initiatives that favor financial actors, to refrain from interfering with financial markets, or to engage in more complex public-private collaborations. Financial associations can shape the content of public policy as well as the boundary between the public and private. The *second* is to produce new markets and extend existing ones, often through highly technical means. This involves extending the boundary between finance and society more generally. It is about more than efficiency: the production of new financial markets can empower particular financial actors and finance as a whole. The *third* is to work to enhance the capacities of the particular financial actors that are members of the association. This empowers those actors, and that power can in turn be used to influence public authorities or extend markets, or to promote the interests of the association's members relative to other financial actors.[4] In this book we devote one chapter to each of these three functions of associations.

The varied regional character of TFAs that Table 1.1 displays signals an important feature of TFAs that our research reveals: TFAs do not all primarily represent the interests of Wall Street firms, or even financial actors from the developed world. A very significant number of TFAs are based in the developing world. A large number of associations are also based in Europe. Financial actors have responded to the decades-long project of European integration by constructing European associations. This prominence of

Europe in the world of TFAs adds diversity, like the associations from the developing world, challenging those who see global finance as a single integrated machine based in the US.

Our research also highlights important normative variation among TFAs: there are a great many that are not primarily devoted to the more extreme promotion of the supremacy of markets, an ideology that has been labeled neo-liberalism or market fundamentalism. An important set of TFAs that are inspired by an alternative vision are those involved in Islamic finance, but others are also motivated by social purposes other than profitability and the expansion of market forces. These include TFAs that focus on microfinancing or cooperative banking. The members of these associations with alternative motivations must all operate in an intensely competitive global market, and willingly or unwillingly more purely market motivations enter into their work as well. Nevertheless, this diversity is an important but often underestimated part of the world of TFAs and accordingly is important to consider in analyzing the power of global finance. In this book we devote three chapters to analyzing this diversity. Chapter 6 focuses on the distinctive case of European TFAs, Chapter 7 examines associations in the global South, and Chapter 8 considers associations that are motivated by alternative visions other than profitability and the expansion of markets, including Islamic finance, social investment, and financial inclusion through cooperative and savings banks, and microfinancing.

TFAs and theory

In studying TFAs this book also devotes attention to the light that theory can shed on TFAs and the light that the experience of TFAs can shed on theory. We have already given hints of this above in our discussion of alternative perspectives on the sources of power in global finance, and in our identification of three functions that TFAs serve. We are challenging perspectives that overemphasize the unity and dominance of financial actors, whether this unity and dominance is seen in the form of a social class, an expression of inexorable market forces, a set of powerful, self-interested firms that capture governments, or one or more powerful governments that always succeed at promoting the interest of financial firms headquartered in their territory. As we have begun to discuss above, these *unified dominance* models, which explicitly or implicitly inform a great deal of thinking about global finance, tend to misread and overstate the power of finance, obscuring the role played by TFAs. Theory helps us better understand the important roles played by TFAs and helps draw conclusions from this understanding that are relevant to governance more generally.

We have three main overlapping theoretical themes that together help paint a more useful picture of TFAs. The first is an *ontological* theme: do TFAs themselves have a meaningful presence, or are they instead simply epiphenomenal expressions of more fundamental forces or social categories? The second is a *functional* theme: how and why do TFAs function in distinctive ways, and how does this relate to power in global finance? Our third theme is about *power* itself: where does power come from and how is this relevant to understanding how TFAs express and produce the power and weaknesses of finance? These theoretical themes are explored extensively in Chapter 2, but it is useful to provide a brief preview of each in turn here.

Ontology

Ontology refers to the character of the constituent units that make up the world. This is important, because if we start by assuming that the social world is always formed by structures of production, by calculating individuals motivated and constrained by competitive market forces, or by powerful states, then the idea that TFAs play an important role could be ruled out in advance. We therefore develop and make use of an ontology that helps reveal the important work that TFAs do. We think this ontology also better fits with and helps illuminate how financial markets more generally operate and are governed. We label this an *assemblage* ontology.

Originally used in art (Seitz 1961), an assemblage is created out of disparate elements, each of which has meanings or purposes that might be quite unrelated to the other elements, but which together are brought into a new relationship with one another to create an arrangement with its own distinctive meaning or purpose (DeLanda 2006). Sassen (2006) and others (Ong and Collier 2005) have begun developing the notion of global assemblages in which elements of nation-states can be plugged into new global arrangements while retaining linkages to their previous national functions. Our assemblage ontology also assumes that the effects of power need to be carried through humans or objects and cannot be mysteriously transmitted through some other, unobservable social category, such as a social structure consisting of something other than humans or objects.

In subsequent chapters we shall see that this concept fits well with the world of TFAs. Each TFA has its own distinctive identity and purposes, which its members and leadership recognize and act upon. Yet each TFA also contributes to the production and reproduction of global finance. The specificity of each TFA matters, and their significance cannot simply be read off a larger global structure. Financial markets are painstakingly constructed through mundane infrastructures and routines and TFAs play a key role in these mundane activities. This mundane process of construction is a crucial way in which the power of finance is extended, but also constrained.

Functionality

These ontological issues overlap and interact with our second important theoretical concern: patterns in the functions of TFAs. As this book begins to examine the practices of TFAs it will quickly become apparent that these are not random, nor are they only the outcome of an unpredictable series of individual actions. Instead the form that a TFA takes, and the types of tasks that it carries out, are shaped by certain functions that are associated with the financial activity with which they are most closely engaged. For instance, TFAs in securities markets may carry out certain clearance and settlement functions, which make it possible for securities that are traded actually to be exchanged from one actor to another, but these functions may not be relevant in insurance, which has quite different requirements. TFAs for professionals such as accountants or financial planners may devote much more effort to training and certification than TFAs focused on lobbying public authorities.

Overall there are two main ways that functionality is brought into our analysis of TFAs. The first is functional differentiation. This refers to the tendency of societies to become more and more differentiated by function over time. This contributes to the disaggregated character of global financial governance, and the proliferation of increasingly specialized TFAs, and further challenges the unified dominance models of finance. The second way that functionality comes into this book is in the way that *form* follows *function*, which we call *organizational functionality*. The organizational form that TFAs take is heavily shaped by the tasks they take on. This, too, challenges unified dominance models since the perceived need to carry out tasks in a particular ways can constrain the unified exercise of power. These tasks may vary by industry segment (such as banking, securities or insurance), by whether the task primarily seeks to influence public authorities, expand markets or enhance the capacities of TFA members, or by some other characteristic of the task or membership with which they engage.

In developing the concept of functionality it is very important to address the great damage that its misuse has contributed to in the past, and the way in which it can paradoxically be marshaled as a dysfunctional instrument of power and domination. Functional arguments have often been used to empower experts who have falsely claimed that the policies they are promoting are immutable requirements of some aspect of the social system. A relatively recent example is the experts who claimed that the deregulation and globalization of finance were required for economic efficiency and growth. The 2008 global financial crisis revealed that these policies had the opposite effects to those claimed by their advocates, and functionalist claims were often motivated by power and interests. Our approach to functionality recognizes that it is socially constructed, but that the properties of humans and objects, and the specific problems they seek to address, shape and constrain the ways that those problems can be addressed.

Power

Sometimes financial actors seem to be all-powerful, striking fear into governments and shaping laws to match their interests. At other times they seem powerless, when crisis strikes and even the most powerful banks collapse or lose control. Our approach to power helps in understanding this paradox, and the role that TFAs play in it. We make use of a conception of power that is compatible with the assemblage ontology and the approach to functionality discussed above. Rather than seeing TFAs as always driven by deep invisible structures, or powerful banks or states, we recognize that TFAs, their members, and their leaders can transmit or exercise power by engaging with multiple arrangements of humans and objects, most of which they do not fully control.

Our assemblage ontology's emphasis on the need for action to be transmitted through humans and objects rather than mysterious invisible structures helps shows how power can fail, since those humans and objects may intentionally or unintentionally modify or disrupt the action. TFAs are a crucial mechanism in enrolling networks and transmitting actions, and their successes and failures empower or weaken financial actors. TFAs engage in local power struggles but also in the larger production of the power of global finance relative to other aspects of our contemporary world. Our approach allows us to identify both the way financial actors succeed in deploying their power and how they can be confounded in their attempts to do so. It allows us to explore the interaction between power and functionality without creating a false separation that allows a TFA's claim of functionality to obscure how this helps produce a TFA's power.

The plan of the book

The remainder of this book comprehensively analyzes the role of transnational associations. Chapter 2 develops the theoretical points introduced above. The next set of three chapters highlights general trends in the role of TFAs and more thoroughly examines the three key roles that they undertake. Chapter 3 analyzes the role of associations relative to the global public sphere, while Chapter 4 examines the role of TFAs in constructing markets, industries and technologies, and Chapter 5 elaborates the way that TFAs construct and serve a community of financial actors. The next three chapters examine key ways in which associations vary. Chapter 6 focuses on transnational associations in Europe, which has a disproportionately large number of TFAs relative to other regions. In Chapter 7 we examine both regional variation across the global South and commonalities across these regions, most importantly the role of transnational financial associations in development. Chapter 8 examines variation in the purposes of organizations, looking especially at those that challenge in some way the current purposes, ethics and functioning of global finance. Our final chapter, Chapter 9, concludes by summarizing the findings of the book, and devotes additional reflection to the significance of these findings when considering the future of finance following the crisis of 2008.

The crisis of 2008 dramatically put the issue of the power of global finance high on the public agenda. In the initial stages of the crisis it seemed that the power of finance might have been fatally challenged, either by its own failures or by the determination of states to rein in finance, subordinating it to other public policy goals, like stability, or, in response to widespread public outrage and the abuses of private financial power that the crisis exposed. However, as the crisis continued to develop, and then began to ease, it became apparent that the power of global finance was more intact than it had originally seemed. Calls to return to business as usual, especially from financial actors, combined with proliferation of threats of a disastrous evaporation of credit if the interests of the financial industry were not taken sufficiently seriously, were remarkably effective at narrowing and fortifying the boundaries of the debate. This narrowing is itself an expression of the power of finance to define the agenda and fend off threats. It is important to resist this narrowing if the damaging effects of the power of global finance are to be understood, prevented or controlled. In the remainder of the book we show how our conception of ontology, functionality, and power helps understand the complexity of power in finance, the important roles that TFAs play in producing and transmitting this power, and the limitations to that power that they also reveal.

2 Conceptualizing transnational financial associations and global financial power

How best can we conceptualize transnational financial associations and the role they play in global finance? Associations have sometimes been conceived as operating at the "meso" level, mid-way between the macro and micro levels. This is easy to see if we think of this in terms of scale. Somehow associations sit between the micro scale of individual actors, including their members, and the macro scales of the capitalist or financial systems, the world market, the global political economy or globalization that they operate within. Business associations, including financial associations, organize areas of activity, including industries or aspects of the global political economy. However, what exactly do they do at this meso level? Are they simply the expression at the meso level of forces that originate at the micro or macro levels? Are they somehow mediating between the micro and macro levels? Or do they play a more independent role, where they can contribute to shaping actors and practices that we might think of as micro or macro? Increasingly important roles for associations are envisioned as we move through these three questions.

If we answer "yes" to the first of these questions, associations become less interesting for their own sake. The real action is occurring at the micro or macro levels, and associations might either be irrelevant, or perhaps minimally useful for detecting this real action at these other levels. This answer is not one that we should dismiss lightly. As we shall show in this chapter, there are well-developed bodies of theory that see associations as having little independent significance. However, we think that associations are much more interesting than this. In this book we make this argument, first theoretically in this chapter and then with empirical evidence in the chapters that follow.

To understand associations, and whether they mediate between the macro and micro or play an even more independent role, we need to consider both metatheoretical assumptions and more specific theories. Metatheoretical assumptions, such as ethics or ontology (what types of social units form the fundamental starting point of social phenomena) shape all theories. Certain restrictive metatheoretical assumptions, such as the belief that norms can never matter or that states must always be the only important international actors, can arbitrarily rule out important lines of inquiry, including research on associations. Metatheoretical assumptions are very general claims about the world. More specific theories that make claims about particular social phenomena, such as associations, and which may be related to empirical information that can support or undermine these claims, are also important. Metatheory can arbitrarily restrict or creatively enable more empirically oriented theory, but empirically oriented theory can also inspire new metatheory. In this chapter we wish to provide the conceptual tools needed not only to understand metatheoretically why the idea that associations may play a significant role should not be ruled out, but also to understand in more detail how they operate and achieve their effects. In this chapter we consider and draw on a range of metatheoretical and theoretical conceptualizations that are needed to understand and draw lessons from the study of TFAs.

However, the chapter starts with a discussion of three types of important current theories that underestimate the role of TFAs in global finance: ones that emphasize the structural power of capital; ones that emphasize the power of the market; and ones that emphasize the power of the state. As noted in Chapter 1, in each case these theories also tend to overestimate the unity and dominance of finance. They link the unity and dominance of finance to some source of power that operates without the detailed practical activities that TFAs carry out. We see this theoretical linkage as problematic because it obscures the practical activities that produce or fail to sustain power in finance.

We then discuss the literature on private authority in international affairs which is very relevant to the roles played by TFAs. This literature has evolved significantly since the 1990s, and it offers important insights for understanding TFAs, including at times case studies of particular TFAs. Nevertheless there are unresolved theoretical issues related to the ontology of private associations and their power, including especially the interaction between associations themselves, and between these associations and other actors, including public ones.

We then develop a metatheoretical and theoretical alternative that seeks to address these problems and unresolved theoretical issues, drawing on ideas from a range of theories, some of which are usually thought to be incompatible. In the final section of the chapter we explain how this alternative will be developed and assessed in the more empirically oriented chapters that follow. In the rest of this book the comprehensiveness of our analysis of all TFAs and their interactions provides opportunities to advance our understanding of TFAs and private authority more generally in a way that more focused case studies do not.

Important current theories that underestimate the role of TFAs

Each of the three sets of theories that we discuss in this section see different institutions as most powerful in theory and practice. Our purpose is not to provide an extensive review of these theories,[1] nor to imply that the rich and varied work of the theorists we cite is in any way adequately represented by our summary—our purpose instead is to draw out some ways that existing work has tended to underestimate the significance of TFAs. The first set, which focuses on the structural power of capital, sees the distinctive social structure of capitalism, with a dominant capitalist class, as key. The second set focuses on the market and the third on the power of the state. It would be foolhardy to suggest that these three powerful institutions are unimportant relative to associations. The theories that have focused on the power of these three institutions are valuable in highlighting that power. However, we think that all three tend to overestimate that power in ways that are problematic because they obscure the role played by associations. Moreover, all three sets of theories are widely used ways of explaining the world and envisioning its future, and their overestimation of the power of these institutions can preclude alternative practices and visions. Thus we are interested both in what these theories have to say about associations and, in the rest of the book, what associations have to say that is relevant for assessing the merits and deficiencies of these theories.

The structural power of capital

There is a long history of analyzing financial power in the Marxist tradition. In this tradition the power of finance flows from society's class structure, its mode of production, or the constraints imposed by competitive capital markets (Gill and Law 1989). Lenin's 1916 *Imperialism: The Highest Form of Capitalism* is well known for adding a strong emphasis on financial capital to the Marxist tradition. It noted: "under the general conditions of commodity production and private property, the 'business operations' of capitalist monopolies inevitably lead to the domination of a financial oligarchy," which for Lenin mainly involved the control of monopolized industries by large banks, a control that was extended internationally through the export of capital.

In the mid-20th century governments had created many controls over finance in reaction to such problems of the interwar period as the 1929 crash on Wall Street, seemingly contradicting Lenin's assertion. However, by the 1980s government controls over finance, which had reached a zenith after World War II, were being dismantled, and a new period of globalized finance was in full swing, inspiring new theorizing about the relationship between finance and social class. The pre-eminence of financial mechanisms of control within US business were noted (Mintz and Schwartz 1985). The market-oriented restructuring initiated by Thatcher and Reagan and the accompanying gulf that grew between the wealthy and other social classes, were linked to the ascendancy of a financial fraction of capital, as was the decimation of industrial heartlands that accompanied heightened cross-border capital mobility. The rapid turnover of products, styles, forms of industrial organization, postmodernity in general, and the demise of Keynesianism was linked by Harvey (2004) to the fluidity of cross-border financial flows as related aspects of a post-Fordist phase of capitalism. A literature on *financialization*, which is discussed in more detail in Chapter 4, analyzed the increasing prominence of financial practices in all aspects of contemporary life, linking this to transformations in capitalism.

At the international level certain groupings such as the Bilderberg meetings or the Trilateral Commission can be seen as examples of sites in which this class power, dominated by its internationally mobile financial component, is solidified and exercised (Fennema and van der Pijl 1987; Gill 1990). Overall, finance was seen as at the centre of domestic and global restructuring. As Altvater and Mahnkopf (1997: 459) note, the "capitalist economy creates a specific hierarchical order of markets: the money market directs the goods market whose development directs the labor market—i.e. the system (and the level) of employment."

The relationship between finance and public authorities was also analyzed. For some, the growing power of finance was linked to the power of the US state. As Gowan noted:

> The story since the 1970s has been one of growing pressures from the Wall Street centre to weaken the barriers to its penetration into domestic financial systems … In a crisis within a national financial system, the American state itself could open the whole capitalist system of the state concerned to being re-engineered in the interests of American capitalism.
>
> (Gowan 1999: 20, 23; see also Panitch and Konings 2008)

For others the growth of finance was linked to a class-based analysis of the maturity or decline of US hegemony (Arrighi 1994; Wallerstein 1991). The International Monetary Fund (IMF) was seen as working with big banks to coordinate a response to the developing country debt crisis of the 1980s. Following the crises of the 1990s the efforts by the US and the Group of Seven (G7) to strengthen the international financial architecture, for instance through the worldwide promotion of codes of corporate governance, were seen as imposing a set of US-style rules that would benefit US firms (Soederberg 2003).

The overall message of this literature is that private financial actors are very powerful, and that this power stems from the role they play in contemporary capitalism. In capitalist systems power is shaped by one's relationship to the means of production. Over time finance has come to play a larger role in economic production relative to other activities, such as industrial production, not just quantitatively but also in the way in which it controls these others. Private financial actors are accordingly empowered, and they consolidate and reproduce this power by manipulating the financial system, the economic system more generally, and the state and its rules.

What are the implications of these theories for our understanding of associations? The theories have remarkably little to say about associations. Certain high-level associations like the Bilderberg group are seen as important.

However, these are presented more as evidence of a broader integration and coordinative capacity of the capitalist class rather than treating the association itself as having significant independent effects. This downplaying of the independent significance of associations corresponds to a similar neglect of the complex transnational regulatory networks that were at the centre of the Group of Twenty (G20) governments' efforts to respond to the global financial crisis of 2007–08. Much of the analysis in the Marxist tradition treats capital as having extraordinary organizational capacities—with the ability to bring about massive policy changes without having to worry about such mundane problems as how the key people needed to bring about these changes manage to be in the same room at the same time with the information and communication devices that allow them to devise and implement operational details. In this literature sometimes capital's exercise of power meets with setbacks, but like the power of capital itself, these tend to emanate mysteriously from deep structural contradictions, rather than from resistance and operational failures in the concrete practices that in most people's experience are needed to produce and implement large-scale projects.

David Harvey's (2003, 2010) work provides a good illustration of this neglect of the specific governance institutions and practices through which capital should need to work to create and exercise its power. In his 2010 book *The Enigma of Capital and the Crises of Capitalism*, Harvey acknowledges that international organizations such as the IMF, the Bank for International Settlements, or the G20 "play an influential role as the world's central banks and treasury departments seek to coordinate their actions to constitute an evolving financial architecture" (Harvey 2010: 51). He also notes that "the continuity of capital flow in a world of increasingly complicated social divisions of labour rests upon the existence of adequate institutional arrangements" (ibid.: 69). He sees these institutional arrangements as having "the possibility for autonomous development" (ibid.: 128). Yet nowhere in this book, nor in his 2003 treatise *The New Imperialism*, is there more than a passing mention of the regulatory networks—and some important groupings, such as the Basel Committee on Banking Supervision, which coordinates regulation of banks, do not appear at all. There is also no mention of the transnational financial associations that are the focus of this book.

How is the cohesion and power of capital produced and exercised if not through associations? One possibility is that there are sets of personal or social connections that are not visible. Or there may be certain structural features of capitalism that continually reproduce the dominant class and its power without the need for conscious coordination. Or perhaps the state organizes capital. To some degree each of these could play a role, but we think that they are entirely inadequate. As noted in Chapter 1, it is implausible that anything as vast and complex as global finance could be organized secretly, informally, tacitly, without organization, written records, or conscious thought. The state would have limited ability to carry out this organizing function because it also responds to other actors than capital, such as voters or self-interested officials and politicians, and its size and inertia make it unlikely to be able to work sufficiently proactively. Organizing global private financial actors is what TFAs appear to be designed to do. Therefore the lack of theorization of TFAs in approaches that emphasize the structural power of capital is seriously problematic.

Global markets, efficiency, and transnational financial associations

Often the power of finance is traced to certain properties of markets that Adam Smith labeled the invisible hand. Sometimes these properties are treated as untheorized and mysterious "market forces". Various qualities, such as competition, entrepreneurship, and individual freedom are linked to these and together they are seen as an unstoppable historical trend that will wash away bureaucracy, states, laziness, poor management, and excessive taxation. In the more idealized conceptions there is little need for the formal organization of states because arm's length bargaining and individual entrepreneurship are all that are needed (Greenspan 1997; McKenzie and Lee 1991). Today such simplistic conceptions have been sufficiently widely discredited, including among economists and policymakers who are sympathetic with the general values that the concepts promote, that we can disregard them. They certainly are of little use in understanding associations which, like large firms, are market actors that display the type of organization and bureaucracy that markets are supposed not to need.

A much more credible and interesting analysis of the power of markets draws on various types of rational choice economic models that have been used to analyze not just the expansion of markets but non-market institutions as well. The fundamental constituent unit of society, in this view, is the utility-maximizing individual who seeks to maximize benefits relative to costs in choosing among alternative courses of action. Competition creates an imperative of efficiency because individuals or institutions that do not minimize costs will be unable to find purchasers of what they have to offer. From this perspective the expansion of global finance is driven by its efficiency at allocating savings and capital. The financial system can efficiently transfer financial resources to their most efficient uses. For instance, an actor that has accumulated assets may prefer to use them at a later time and then may lend them to a different actor, perhaps in a different country, for whom their current use is of more value, in exchange for interest and repayment of the principle at that later time. Considerable effort has been expended in showing that the expansion of finance relative to other economic activities is correlated with economic development and may be an important determinant of it (Allen and Gale 2001; Demirgüç-Kunt and Levine 2001b). From this perspective the power of finance lies in its efficiency.

Large literatures, with labels such as the new institutional economics, law and economics, or political economy, have built on these types of assumptions to explain political and social institutions as well (see for instance Abbott and

Snidal 2001; Barth and Caprio 2006; Cooley 2003; Kölliker 2006; Lake 2009; North 1990; Posner 1999; Williamson 1975). States and parties may be regarded as comparable to firms in competing for resources, whether economic, such as direct foreign investment, or political, such as votes. Alternatively institutions may be regarded as a set of voluntary contracts that individual rational actors make to solve some problem that is more cost effectively addressed jointly rather than individually. However, rational actors may also collude to exploit others and extract rents that exceed the return they would obtain in competitive markets, as with cartels or with the capture of state regulatory agencies or political processes (Abbott and Snidal 2001).

This approach has important implications for our understanding of TFAs, as they may be efficient mechanisms for solving certain problems that cannot be handled by arm's length market bargaining. Not only may they be more efficient than arm's length markets, but they may be more efficient than public-sector institutions, including states. From this perspective we can treat TFAs as an institutional form that is competing with other institutions, varying in scale and "publicness" (i.e. the mix of public and private) from the private, micro-level individual transaction through TFAs to more public, macro-level institutions such as states.

As markets become more globalized competitive pressures lead more efficient institutions to win out over less efficient ones. We may treat TFAs and these other institutions and actors as responding relatively passively to market signals, or we may treat them as engaged in an ongoing strategic process of identifying ways to adjust their institutional form to maximize their revenues and other indicators of success relative to their rival institutions. From this perspective TFAs are not unlike firms in exchanging services for revenues. These services could be specific to individual firms or they could be provided more widely, such as the creation of market infrastructures or monitoring, in ways that display characteristics of the types of public goods that we usually associate more with states. However, these rational choice approaches also suggest that TFAs can act like cartels to restrict competition and inefficiently to promote their own growth and the growth of their member firms at the expense of everyone else. This can include "capturing" regulators so that they serve the interests of the industry rather than the general public. In all these rational choice perspectives the market is seen as both the ideal against which all institutions should be measured, and as the force that explains why some institutions, which are deemed to be more efficient, win out over time.

These market-oriented approaches can be useful in understanding the role of efficiency and the way in which TFAs can operate like firms in markets. They can also help analyze the way that powerful firms can organize to dominate markets or capture regulators. However, they also have serious weaknesses. Their approach to human interaction is far too narrow since many important characteristics of this interaction, such as ethics, technical coherence, trust, stability, or learning, are treated instrumentally, as properties of institutions or environments that are produced or coped with in the pursuit of revenues or power. As will become apparent in the chapters that follow, these characteristics of interactions play a more complex role, particularly in the work of TFAs, and also in the interaction of firms and public authorities, such as when ethical considerations influence the process and content of regulations. Taking either the calculating actor or the efficient market as the starting point of analysis tends to obscure the role of other institutions, including ones that involve more inertia than deliberate choice, perhaps because of the role of technologies and other material processes. Since efficiencies and rational choice are almost always impossible to measure, especially in complex settings with multiple interacting institutions like global finance, there is a tendency to assume that existing institutions are efficient, or tautologically to explain an institutional form by efficiency, the evidence for which is the existence of that institutional form.

The power of the state and transnational financial associations

In international relations theory and in work on global finance in the field of international political economy there have been many scholars who have emphasized the key role played by states in the globalization of finance. For instance, Helleiner (1994) has shown how states, by deciding to act or not to act at crucial historical junctures, were responsible for the global financial system that we have today. Kapstein (1994) emphasized the importance of territoriality and state power for the regulation of transnational banks. Oatley and Nabors (1998) argued that the most important agreement on international financial regulation, the Basel Committee on Banking Supervision's Basel Accord, was the result of powerful states seeking to shift revenues towards their own jurisdictions. Pauly (2002) has argued that any shift from state control to markets is a shift that states have seen as in their self-interest and that states can and will reverse as soon as it no longer serves those interests. These contributions are valuable correctives to an earlier tendency to assume that the globalization of finance represented a fatal challenge posed by market forces to state power. Unfortunately, this emphasis on states can imply that TFAs are not particularly important. Consistent with the state-centric tradition in international relations theory more generally, it could be assumed non-state actors are so weak relative to states that they can be ignored.

One way to begin to acknowledge the role of private-sector actors while maintaining the idea that states are the only significant actors in international affairs would be to examine only the roles of private-sector actors located within a particular state in influencing that state. Gowan's emphasis on the ties between Wall Street and the US government, which was discussed above, is an example. Broz and Hawes (2006) analyze the impact of the presence of high-skilled workers and international banks in US Congressional districts on Congressional voting in support of IMF funding. Wood (2005: 5), in his detailed and insightful analysis of the Basel Committee for Banking

Supervision, identifies three factors that explain its successes and failures: the will of powerful states to create an agenda for cooperation and collaboration; the influence of private actors in the policy process at the *national* level; and the capacity of the Committee to avoid or overcome conflict between its members. There are only scattered references in the book to TFAs. Simmons, in an influential explanation of international regulatory harmonization that focuses on inter-state relations, argues that:

> financial regulatory innovation will be motivated by and respond to internal regulatory needs and politics … The framework I develop here, therefore, takes U.S. regulatory innovation itself as an exogenous expression of the domestic political economy. Virtually every political account of financial regulation in the secondary literature supports this assumption.
>
> (Simmons 2001: 595–96)

In contrast to these works, this book argues that private actors working across borders in TFAs play an important role in shaping financial regulation and financial governance more generally.

The literature on private authority and governance

Since the 1990s there has been considerable attention devoted to the direct roles that private actors play in global governance. Challenging especially the state-centrism of traditional international relations theory, this literature has pointed to the great variety of ways that private actors contribute to the production and management of transnational rules. Early contributions identified some categories of such private activities, including business practices, firms that provide coordination services (such as law firms), production alliances, cartels, business associations, and private regimes (Cutler *et al.* 1999: 7–15). These categories were expanded beyond more purely business activities to include moral private authority (such as non-governmental organizations (NGOs) or religious groups) and illicit authority (such as transnational criminal organizations) (Hall and Biersteker 2002). The early literature also provided theoretical insights into the sources and operations of private authority, including the degree to which private rulemaking was an efficient response to transactions costs experienced by firms or shortcomings of public authority; a mechanism for reproducing the dominance of particular powerful actors; an expression of major historical trends such as globalization; or a discursive effect related to the power of the idea of markets.

Subsequent work on private authority, governance, and regulation has further advanced our theoretical understanding of the role of private actors in global governance as well as exploring a wide variety of case studies. Early studies remained somewhat vague about the boundaries and limits of private authority, and how more abstract concepts, such as authority or legitimacy, relate to more specific concrete business practices or organizations. For instance, Graz and Nölke (2008) very usefully pointed to the limitations of each of the three words in "transnational private governance," such as the degree to which the reach of private governance does not extend across the entire globe, the degree to which private governance still relies upon states, and the shortcomings of the types of governance functions that private actors are able to supply. They called on the literature to pay closer attention to the normative implications of private governance, criticizing a tendency to celebrate uncritically the functional benefits of its emergence. They pointed to structural and actor-based pre-conditions for the emergence of private governance, drawing on the types of insights emphasizing variation in capitalisms and in the structural characteristics of different jurisdictions and industries that are especially well developed in the comparative political economy literatures.

This emphasis on the relevance of domestic factors has been usefully further developed by Büthe and Mattli (2011), who have shown that countries and industries with unified private standard setting will be much more successful in dominating transnational private regulatory arrangements and aligning them with their interests than countries and industries where such domestic standard setters are fragmented or competing. Nölke and Taylor (2010) have further considered the distinctive implications of southern "varieties of capitalism" for business engagement with global governance, pointing to closer links to states and less enthusiasm for corporate social responsibility (CSR) initiatives, although they note that this might change as southern transnational firms become more linked to value chains with customers who care about CSR. Flohr *et al.* (2010a; and Flohr *et al.* 2010b) have highlighted the importance of domestic factors such as the positive impact of traditions of national government-business cooperation on the propensity of firms to engage in the creation of transnational CSR norms. Hansen and Salskov-Iversen (2008) have analyzed the role of mediation in transnational private authority, for instance in electronic networks.

Other useful advances in our theoretical understanding include analysis of the ways that markets can be used to promote or be made more compatible with non-market values, such as sustainability, labor standards, or democracy. Particular attention has been devoted to the wide variety of non-governmental actors that provide certifications in forestry and elsewhere (Bernstein and Cashore 2007). The cost-benefit calculations that can lead firms to support rigorous forms of self-regulation, for instance to differentiate and build the reputation of firms producing to a higher standard where this standard has commercial value, has been more clearly specified, and linked to particular organizational forms of associations (Prakash and Potoski 2007). These have also been linked to ideational contestations over principles in which NGOs are engaged (Braithwaite and Drahos 2000) and cultural traditions within the firm or its national setting (Flohr *et al.* 2010b). Büthe (2010b) usefully has discussed the complication of reconciling the interests of three types of actors which may or may not overlap: those who call for private regulation; those who provide such governance; and those who are the targets of it. Fuchs

(2007) has differentiated the power of business in global governance into instrumental, structural and discursive aspects. Sinclair (2008) has analyzed extensively the power of credit rating agencies. Criteria for evaluating the mix of public and private interests in private regulation, their accountability, and their compatibility with democracy have also been more clearly specified (Ebrahim and Weisband 2007; Mattli and Woods 2009; Porter and Ronit 2010; Scholte 2011) and there is a far better understanding of the complex relationship between public and private authority, which can be both complementary and contested (Ayres and Braithwaite 1992; Black 2008; Büthe 2010b; Porter 2009a).

The literatures on private authority and governance have also included a variety of case studies of global finance that shed more light on TFAs specifically. Tsingou (2005, 2006, 2007, 2008, 2010a, 2010b, 2010c), in particular, has analyzed a number of the most prominent TFAs, including the Group of Thirty (G30), the Wolfsberg Group, and the Institute of International Finance (IIF). She has emphasized the durability of a transnational public/private policy community in which these groups and other private actors are well-accepted participants, reinforced by the technical character of their work, the power of ideas, and revolving doors between government and industry (Tsingou 2010d). Claessens *et al.* (2008, see also Underhill and Zhang 2008) have also argued that the standards created by the public-sector Basel Committee on Banking Supervision were effectively captured by private-sector actors, which are represented especially in this process by the IIF. Helleiner (2009) analyzed the way that the IIF successfully headed off a formalized Sovereign Debt Restructuring Mechanism by promoting a less formal voluntary initiative instead. Ronit (2008) analyzed the interacting public and private elements of the EU's network of national out-of-court financial services complaints bodies. The International Accounting Standards Board (IASB) has received particular attention. For instance, Mattli and Büthe (2005) used principle-agent theory to explain why the complex lines of accountability of the IASB gave it considerable autonomy; Porter (2005b) emphasized instead the highly technical character of accounting standards; Botzem (2008) pointed to the importance of the accounting *profession*, and the ongoing interaction of public and private transnational actors in which states continue to be important; while Nölke (2010) explained the surprising stability of the IASB through the 2007–08 crisis by the dominance of an Anglo-American model that promotes financialization. Finally, Mügge (2008) argued that private management of global financial governance was more likely when there is a stable set of dominant firms, while public authorities are likely to take the lead when this authority is absent.

The literature on private authority and governance has insights that are valuable for understanding TFAs, but there remain significant areas where further theoretical and empirical work is needed. One such area is that theories can be quite general while empirical cases tend to focus on particular institutions, which creates a tendency to obscure the complex interactions, interdependencies and differentiations that can characterize a transnational industry as a whole. The literature on regime complexity (Alter and Meunier 2009) has begun to analyze the interactions among transnational institutions, but it has mostly focused on public-sector institutions. A second area is the interaction between power and technical tasks. Much of the analysis has pointed to the role of technical expertise in empowering particular actors and excluding others, but technical expertise is not only about power: it is constrained in some way by the technical problems to which it is applied. How can we better understand the interaction between power and these constraints? A third area is the multiple complex ways that power is produced. The existing literatures have provided a great deal of insight into the way that firms can reproduce their dominance through private governance, how this dominance can be modified by states or civil society actors, and how power is multidimensional, including ideational and material aspects. However, there is more work needed to understand how all these aspects of power work together in an industry as complex as global finance. In the next section we set out an approach that builds on but goes beyond the valuable contributions of the literature on private authority and governance.

An alternative metatheoretical and theoretical approach

In order to understand the role of TFAs we find it useful to go beyond the existing theoretical approaches that have been discussed in the previous sections, while also drawing on their positive features that were noted throughout the previous discussion.

Part of the problem with existing approaches is metatheoretical: they have a tendency to privilege their particular ontologies in ways that make it difficult to bring associations into the analysis. In each of the three approaches to global finance discussed above a particular conception of which actors or institutions are most important is often treated as an assumption, as a description of the basic constituent units that make up the social world. This becomes the starting point for more empirically oriented theoretical analysis, whether these actors and institutions are class structures, market forces and rationalistic individuals, or states. Explanation then often consists of showing how the actions of these fundamental constituent units could explain particular outcomes. Unfortunately the linkage between the assumed constituent units and the empirical outcomes is often also assumed to exist rather than being seen as a conjecture needing to be investigated. How, though, in practice, can a social class, a market force, or a state achieve the outcomes that are associated with the properties of those constituent units? Anyone who has tried to implement the types of complex projects that are common in global finance knows that this implementation is far from guaranteed. Procedures need to be written and understood, people need to show up on time, at the right location, with the appropriate tools, and messages need to reach their destination—all of which could fail unexpectedly. This is the type of work, often on a very large scale, that TFAs carry out, making it more likely that financial actors can coordinate their activities and achieve their goals. Since TFAs are not included as fundamental constituent units in the above approaches it is not surprising that they are not seen as having much impact on outcomes. Even if they appear to have some impact it is likely that this will then be traced back to one of the assumed constituent social units, such as when associations are seen as simply a vehicle through which the dominant class, rational individuals, or powerful states pursue their interests. A first task of this section, therefore, is to develop an alternative metatheory that allows us to identify the independent contribution of associations.

Once an appropriate metatheory has been set out we also need to develop a more empirically oriented theoretical approach that helps in understanding the patterns of transnational associational activity that we see. Two of these patterns, namely a tendency of the associational landscape to reveal increasing differentiation over time, and a tendency for associations to be identified with particular functions, whether these are the functions that define industry segments (such as banking vs. securities vs. insurance), or that are associated with different activities within and across industry segments (clearing houses vs. lobby groups vs. self-regulatory organizations), seem to fit well with functionalist theories. However, functionalist theories have been sharply and rightly criticized for determinism that is similar to the invisible determinants that are problematic in the unified dominance approaches to global finance that we have discussed above. These functionalist theories fail to consider adequately power and politics and the social role of language and discourse, which as we will see in the chapters that follow, are very important in the work of TFAs. Thus the second task of this chapter is to develop an approach that can integrate elements of functionalism with insights from other theories that can better consider the role of power, politics, language and discourse. This more comprehensive approach will not only help to explain the patterns we see in TFAs, but also to understand their impact and significance for global finance and the global political economy more generally.

Our third theoretical task is to analyze the implications of our approach to ontology and functionality for our understanding of power in global finance. What are the theoretical implications for power of considering the practical linkages that TFAs provide in global finance? Unified dominance approaches tend to assume that power emanates automatically from the constituent elements that they identify. In contrast, our ontology suggests that power must be painstakingly produced through the interaction of humans and non-human objects. When these humans and non-humans fail to cooperate this can disrupt power, but when they do cooperate this can extend power into new fields of activity. However, our emphasis on functionality suggests that these failures and successes are not random, but instead relate to the degree to which organizational forms match the tasks to which they are applied. In other words, functionality can enhance power of the actors that achieve it. However, functionality is not apolitical, and claims that particular courses of action are functional can empower some actors and discipline others, even if in practice the claims may not result in the outcomes they promise. These implications of our approach to ontology and functionality complicate power, but in ways that are important for understanding the types of paradoxes that were evident in the crisis of 2008, where the most powerful financial actors were suddenly vulnerable to complete failure. Our final theoretical task, then, is to clarify how power can be conceptualized to address these complications.

An assemblage ontology

Drawing selectively and loosely from the uses that have been made of the idea of an assemblage it is possible to set out several distinguishing features of an assemblage ontology that is useful in understanding the role of TFAs, and that also has relevance for our other features of the global political economy and global governance. Originally used in art (Seitz 1961), an assemblage is created out of disparate elements, each of which has meanings or purposes that might be quite unrelated to the other elements. Together they are brought into a new relationship with one another to create an arrangement with its own distinctive meaning or purpose (DeLanda 2006; Wise 2005). In social theory, often inspired by Deleuze and Guattari (1987), assemblages have been conceptualized as *emergent*, which implies that they arise from the interactions of the often conflicting elements and external connections that constitute them, and that they have an unpredictable quality, including the possibility that they will disappear. Assemblages can involve complex hybrid amalgams of knowledge, feelings, motion and rest, human bodies, and non-human objects. Assemblages can have agency, but this agency is not centralized in any one individual or organization, but instead involves what Bennett (2010: 32–37) has called an "agentic swarm" or a "confederate agency," where not just humans, but objects as well, work together to produce an effect, a trajectory, or an emergent causality. This can be facilitated by an ongoing interaction of ideas and materialities (Coole and Frost 2010), constituting "reflexive practices" (Ong and Collier 2005: 7).

The concept of an assemblage differs sharply from systems theory, which treats the elements in a system as obtaining their direction and meaning from the part they play in a single larger whole: "an assemblage is the product of multiple determinations that are not reducible to a single logic" (Ong and Collier 2005: 12). It also differs sharply from notions of structure that emphasize continuity, stability, and uniformity. Analysis of assemblages also involves devoting careful attention to their distinctive empirical operations rather than detecting evidence for the recurring effects of deep structures: "a global assemblage is the actual and specific articulation of a global form" (Collier 2006: 400). In its emphasis on heterogeneity, the ongoing agency of the elements of an assemblage, and the opportunities this offers for "lines of flight" (Deleuze and Guattari 1987: 88–89; Tamboukou 2008) from organized power, the concept also differs from the more relentless and unified forms of control that have sometimes been associated with Foucault's concepts of apparatuses (*dispositifs*) and governmentality.[2] Assemblage addresses the challenge of theorizing patterns of interaction after the emphasis in social theory on mobility and spatiality, which have accompanied globalization (Wiley *et al.* 2010: 341). Effects can come not just from a single coherent assemblage but from the unexpected interactions of different assemblages that work through relatively autonomous clusters of institutionalized activity that are connected to more than one assemblage.

This approach has proven useful to understanding the complex implications of the increasing interconnections we see at the global level. Sassen (2006) and others (Ong and Collier 2005) have begun developing the notion of global assemblages in which elements of what were previously national can be plugged into new global arrangements while retaining linkages to their previous national functions.[3] These transnational forms have their own specificity which is neither purely global nor purely local. As Ong and Collier (2005: 12) note, "global implies broadly encompassing, seamless and mobile; assemblage implies heterogeneous, contingent, unstable, partial and situated." McFarlane (2009) argues that the concept of assemblage allows more diverse conceptions of space, and richer analysis of zones of interconnected but often conflictual activity and heterogeneous elements, than do networks, with their emphasis on the forging of connections between nodes.

Three features of an assemblage ontology make it especially useful for understanding TFAs and we discuss these briefly in turn. First, by not seeking to link all outcomes to a single type of social actor or institution, nor to treat all actors and institutions as simply expressions of another underlying and more fundamental actor, it permits us to acknowledge the autonomous role of different types of actors and institutions (including TFAs), and then to explore how the interactions among these actors and institutions can explain outcomes. The assemblage approach is especially useful in being able to survey a complex environment such as global finance in which historical trajectories of many relatively autonomous actors and institutions interact to produce organizational effects. Empirically such a survey is more productive than trying to trace all the links of this complex environment to a single type of actor, like a rational calculating state.

Second, assemblages include both material and expressive, or ideational, dimensions. Our assemblage approach, in steering away from the temptation to attribute all social outcomes to a single master variable, and in taking the role of language seriously, bears some similarities to post-structural approaches. However, in our study of associations it is clear that material factors play a crucial role as well, especially in the form of technologies. We find Latour's (2005) treatment of the material ("non-human") in his actor-network approach to assemblages to be useful in bringing in material factors. Latour criticizes the common tendency to explain social developments by imagining unobservable causal links to social categories without tracing the long chains of action that would be needed to bring such links about. These long chains of action include both humans and non-humans. The ability of non-humans such as technical artifacts, written instructions, or microbes, to initiate effects, in a manner similar to human actors, is indicated by the use of *actant* to refer to both. Humans and non-humans can be either mediators, which modify the chain of action, or intermediaries, which merely transmit it. The inclusion of both expressive and material dimensions in an assemblage approach will help in our effort below to address the deficiencies of functionalist approaches.

A third important feature of an assemblage ontology, drawn from Actor Network Theory (ANT), is the relevance of the concept of enrollment for understanding power. Power does not only involve the absolute possession of deployable capabilities by an actor, but also involves the ability of actors to enroll networks of human and objects that might be engaged in other activities. We shall see that this is important in understanding TFAs, since much of their influence derives not from their own financial or human resources, but from the networks that they are able to mobilize in pursuit of their goals. Since those networks are likely to continue to have other purposes as well, and since the humans and non-human objects in them retain considerable autonomy, actors such as TFAs that wish to enroll them cannot simply tell them what to do. Instead they need to match up the TFA's program of action with certain other tendencies in the networks they wish to enroll. This is a quite different approach to power than the unified dominance models we discussed above. We return to these points in our discussion of power below.

Given the pervasive, overlapping and disconnected notion of assemblages, a question we are left with is how can we make use of an assemblage ontology without getting confused by not knowing where one assemblage ends and another begins? Put differently, is an assemblage more than a subset of endlessly linked activities which has no enduring presence and coherence of its own? DeLanda helpfully identifies two features of assemblages that are related to their degree of integration and coherence. The first, territorialization (and deterritorialization), involves the construction (or dissolving) of boundaries around the assemblage. Because many boundaries today are detached from any conventional notion of territory we prefer to refer to this as boundedness. The second feature, coding (and decoding), involves the consolidation of (or rendering more flexible) the identity of an assemblage (DeLanda 2006: 18–19). For instance, a common activity of TFAs is to construct identities through the development of codes of conduct. TFAs can similarly construct boundaries, for instance by administering exams to determine who belongs in a profession like financial planning, as signaled by a professional designation, such as Certified Financial Planner (CFP), or by promoting "best practices" of a particular financial community. However, identities and boundaries are not fixed or mutually exclusive. Like other actors, the ability of TFAs to draw on extended networks is crucial for understanding their influence. Accordingly, precise specification of the boundaries of a particular TFA or its field of action is neither necessary nor useful.

While further specification of an assemblage approach is interesting, it is not crucial to our use of the approach here, which is to set out an ontology that does not obscure from the start the independent role that TFAs can play. Indeed the metaphor of the assemblage which is drawn from art, in which the elements have both expressive and material dimensions, and in which the identity of the whole is related to the relationship among its various elements, but also to the parts that those elements played or play elsewhere in other arrangements, is already a helpful starting point. We can now turn to more specific and empirically oriented theory.

Theorizing functionality and discursive elements in TFAs

In this section we wish to develop further a theoretical approach that can help explain the empirical patterns we observe in TFAs but that also can suggest lessons relevant beyond this, especially our understanding of the power of finance and the properties of global governance more generally. Functionalist theory is useful in understanding two patterns that we observe in TFAs: *functional differentiation* and the way in which *form follows function*. However, functionalist theory has also been very problematic in its inadequate consideration of determinism and power. We therefore also need to develop an analysis of functionality that considers its relationship to power and language, and that makes it compatible with the assemblage ontology discussed above.

In our research we began noticing two patterns in the TFAs we were examining that seemed to be related to the TFAs' functions. One pattern was the increased specialization of TFAs over time. For instance, the Wolfsberg Group, which consists of representatives from the leading banks, focuses on a relatively narrow issue area, money laundering, and the Emerging Markets Traders Association focuses on banks that trade sovereign developing country debt. A large proportion of TFAs are also differentiated by region, such as the Association of Southeast Asian Nations (ASEAN) Federation of Accountants. Some are also differentiated by their distinctive ethical commitments, such as the Islamic Financial Services Board (IFSB) or Women's World Banking (WWB). Some associations have even become more differentiated internally, such as the three finance-related Commissions at the International Chamber of Commerce (on Banking Technique and Practice; on Financial Services; and on Trade and Investment Policy). There also are counter-examples, such as the amalgamation of the International Primary Markets Association and the International Securities Markets Association into the International Capital Markets Association. Nevertheless, in general there is a much larger variety of specialized TFAs than there were 20 or 30 years ago. In many areas of activity, such as the representation at the global level of major industry segments such as banking or securities, there are almost no TFAs that duplicate all of each other's activities or that compete directly.

A second and related pattern that we noticed was the way in which TFAs seem to be organized to a significant degree around particular functions. Most of the names of TFAs signal their connection to a particular type of function in finance, such as the European Securitization Forum or the World Federation of Insurance Intermediaries. These patterns of differentiation and of orientation towards various functionalities might seem surprising to those expecting global financial actors to be increasingly integrated and unified over time, or that see TFAs as like firms in simply providing competitive services in response to market forces.

These two patterns match two patterns identified by functionalist theories. The first pattern is functional differentiation. Early societies consolidated a great many functions in the family that are now provided increasingly by other complex institutions, such as child care centers, schools, workplaces, fast food restaurants, and retirement homes. Earlier societies were differentiated by social class, but now increasingly by function (e.g. law, engineering, commerce). For Luhmann (1982), functional differentiation is a way of managing complexity. Distinctive codes emerge to manage particular differentiated systems and these develop a degree of autonomy and incommensurability relative to codes associated with other systems. For instance, the legal language that is used in courtrooms, the language of affection that is used in families, the language of threats of violence that is used in war, the language of accounting, the language of medicine, of software, are all distinctive. Each has an important degree of "self-referentiality"—the meanings they contain and the directions they take are shaped by their own codes rather than simply being responses or manifestations of developments outside that code. Threats of violence in court rooms or the use of legal reasoning in an armed stand-off will be ineffective. Luhmann refers to a high degree of autonomy as "autopoiesis"—a self-directing, self-regulating system. For Luhmann, differentiated sub-systems provide inputs and outputs to one another.

The second pattern is the tendency of organizational form to follow function, which we call *organizational functionality*. This was an insight of the international functionalism pioneered by David Mitrany in 1943 (Ashworth and Long 1999; Mitrany 1975), which had been popular in the immediate post-World War II period, and which promoted the catch phrase "form follows function." Not all organizational forms are equally suited to all tasks. For instance, clearing houses require particular technical systems that a professional association, such as the Union of the Finance Personnel in Europe, would not. Tasks vary by industry segment (such as banking, securities or insurance), by whether the task primarily seeks to influence public authorities, expand markets or enhance the capacities of TFA members, or by some other characteristic of the task or membership with which they engage.

It is important to address the very negative effects that past uses of functionalism have had. There is a very long history in the social sciences and in practical thinking, often with disastrous consequences, of overestimating the way in which functional imperatives, as identified by experts, can determine the organization of society. Scott (1998) has convincingly linked the over-confidence of experts in social engineering to some of the world's most disastrous policy failures, including scientific forestry, urban planning, and agricultural collectivization. These failures involved an overemphasis on functional imperatives purportedly identified by experts who were supposed to be operating independently of the actions of particular humans and objects.

Scott's examples involved experts who saw this functionality as being carried out through an expansion of the power of states rather than the power of markets, but the misuse of functionalism is common to both. As discussed in Chapter 1, the experts who claimed that the globalization and deregulation of finance was a functional imperative played a similarly destructive role to the state experts whom Scott criticizes. Like arguments about power that attribute outcomes to the invisible effects of an underlying structure, arguments about the inherent efficiency and functionality of a globalized financial system often made strong claims about the links between an abstract property of the world and how daily life is or should be organized, without adequately showing how in practice this functionality occurred or did not. Had researchers instead been able to trace through the specific practices of bundling and repackaging of toxic subprime debt, and its sale in global markets as collateralized debt obligations—carried out through actual humans and objects—the conflicts of interest, knowledge deficiencies, and mismanagement that only came to light after the crisis would have challenged the functional arguments that had justified the deregulation that contributed to the crisis.

Recognition of the problem of functionalism in social theory extends back much further than Scott's relatively recent work, or the problems that have become evident in the global financial crisis of 2007–08. Classical functionalism, such as the work of Talcott Parsons, has been severely criticized for treating society as having certain abstract functions that must be fulfilled and that are used to explain social phenomena. A convincing onslaught of criticisms against the dominance of functionalism in US social theory largely discredited functionalist approaches in social theory for at least two decades, contributing to the growth of strongly anti-functionalist social theories such as those inspired by Foucault, who saw expert systems of knowledge not as discovering real functional imperatives operating behind the back of humans, but instead as systems of power that engaged in the construction of truths to advance that power.

How, then, can we integrate insights from functionalist theories and from theories that analyze the role of language, knowledge and power? "Post-functionalism" refers to the work that has sought to go beyond the problems of earlier functionalists such as Talcott Parsons (Alexander 1985; Alexander and Colomby 1990). These theorists take seriously the role of political power and conflict in bringing about differentiation, the importance of recognizing a counter-trend of de-differentiation that one sees, for instance, in the creation of cooperative communities by critics of capitalism, and the need to examine carefully the actual historical record rather than focusing on abstract latent functions.

It is important to treat functional constraints as constructed rather than as emanating from some deep structural functional imperatives that humans cannot influence. Foucault's notion of "problematization," where relations of power are constituted by the ways in which a problem is identified, is one way that functional constraints can be constructed (Rabinow 2003: 44–49). We should also add the insights into the active role played by non-human objects that ANT and the "new materialisms" (Coole and Frost 2010) have provided. Humans have often surpassed constraints that previously were seen as dictated by nature, but at the same time they cannot entirely control non-human objects. ANT points to the way these objects can empower or confound the actions of humans. ANT suggests that the material constraints associated with any particular problem are not unchangeable properties of a nature or structure that is entirely separate from humans, but rather involve non-human actants that can be enrolled by humans, but which also have their own distinctive tendencies (Bennett 2010; Coole and Frost 2010; Latour 2005).

These tendencies, such as the way that grass lends itself to the extraction by chimps of insects from holes, or the way that the bodies of birds lend themselves to flight while those of horses do not, have been labeled "affordances" (Dant 2004: 66, 70). These affordances involve a complex interaction between the physical properties of non-humans, and the interpretive, analytical and practical abilities of humans. Bennett (2010: 60) refers to "the desire of the craftsperson to see what a metal can *do*," which then allows the craftsperson to "discern *a* life in metal, and thus, eventually, to collaborate more productively with it."[4] More complex objects may be designed by humans to enhance or create affordances (Dant 2004). Some configurations of humans and objects are better than others at producing particular outcomes.

The ability of humans to anticipate the varying functionality of different configurations,[5] together with what philosophers have called *techne*, the meanings of which include the practical knowledge that allows an actor to bring something into existence, and an insistence that any claim to functionality can be contested, together help avoid the problems of older conceptions of functionalism. Claims to functionality can primarily be expressions of the exercise of power, as emphasized by Foucault or they can be estimations of variations in the costs and benefits of different ways of combining human and objects, as emphasized by rational choice functionalism[6]—and we can remain agnostic on the degree to which functional constraints are due to the physical properties of objects or the interpretive beliefs of humans, and fully consider the role of politics, interpretation and language in constituting these constraints.

Recent work on international practices, inspired in part by Bourdieu, is very compatible with our approach: "Practices are competent performances … dynamic material and ideational processes that enable structures to be stable or to evolve, and agents to reproduce or transform structures" (Adler and Pouliot 2011: 6; see also Leander 2010, 2011). Although this approach can stress the social recognition that deems a performance to be competent, it also recognizes that "practices are mediated by material artefacts" (Adler and Pouliot 2011: 8). Thus competence involves human interaction with these artifacts, drawing on background tacit knowledge, and working with the distinctive properties of material objects, to produce a particular desired outcome—a purpose. There may be a number of ways to achieve that purpose, but that number is unlikely to be infinite. Our discussion of the production of financial communities in Chapter 5, especially, addresses this process of formulating purposes and mobilizing the capacities of humans and objects in specific ways to achieve those purposes.

In short, we may define functionality as the constraint that the pursuit of a particular purpose imposes on a set of actors and objects. Differentiation and the adjustment of organizational forms to particular tasks can be used to manage and control complexity, which can enhance power or efficiency. We must avoid treating outcomes as automatically responding to functional imperatives, and instead examine the practical linkages that tie purposes, organizational forms, and outcomes together.

Power

As noted in Chapter 1, our approach to power is consistent with our assemblage ontology and our conceptualization of functionality. We are critical of approaches to power that rely on mysterious invisible structures that somehow are supposed always successfully to dictate outcomes. We wish instead to understand the way that power must be transmitted through actual humans and objects, and the roles that TFAs play in this.

Our assemblage ontology suggests that we should have a broader approach to power than the traditional emphasis on the ability of one actor to get a second actor to alter its behavior despite the latter's resistance. This traditional zero-sum model of power tends to see it as wielded by actors that possess resources, such as weapons or wealth, which can be used to coerce others. The broader aspects of power that an assemblage ontology suggests include the concept of enrollment; the relevance of both material and expressive power; and the importance of both *power over* and *power to*.

As noted above, the concept of enrollment, drawn from ANT, suggests that power is developed when an actor recruits existing networks of humans and non-humans into that actor's project. These existing networks are likely to have their own relatively autonomous tendencies and operations. Coercion may be involved, but only if the dominant actor can mobilize humans and objects to create such coercive force. Power therefore does not involve an independent powerful actor cutting links with other actors and threatening them with coercion, but rather an intensification of linkages, in which existing practices and purposes can be orchestrated (Abbott and Snidal 2009). This can include the problem of regulatory capture and the revolving door, where regulators and regulated firms recruit each other into projects that promote their private interests rather than the broader public interest. The enduring attributes of power that are often identified as "structural" are constructed in this manner as well, such as when a set of objects such as texts, infrastructures, or architectures are configured to constrain or empower the humans with whom they interact. For instance, if a TFA, by mobilizing humans and objects, creates a payments and settlement system, this system can subsequently operate routinely while helping to reproduce the power of the TFA and its members.

Some traditional approaches to power emphasize the importance of deployable material resources, such as weapons, natural resources, or wealth, while approaches that emphasize the ideational character of power typically emphasize the way that dominant modes of thinking can constitute power relations, with their patterns of inequality or relations of inclusion and exclusion. Finance especially challenges the viability of this distinction: is a derivative a material object or an idea? Both forms of power, to the extent they can be disentangled, are relevant to TFAs. As will become apparent, TFAs always involve the communication of ideas, and this empowers members and finance in general, such as when an idea for a new financial instrument creates a new financial market. However, TFAs also always have a material dimension. This could include, for instance, the operation of an electronic network that facilitates the transfer of financial assets. It could involve the provision of communications infrastructure and hardware that facilitates communication with governments.

Finally, *power over* refers to the more classic coercive aspect of power, while *power to* involves a capacity to achieve outcomes that would not otherwise be possible (Allen 2011). This can include the mobilization of a collectivity to solve a common problem, which may not necessarily involve coercion. We shall see that both views of power are very relevant to TFAs. TFAs seek to promote the interests of their members against the competing interests of other public and private actors. However, TFAs also make it possible for their members to accomplish things that otherwise would not have been possible, such as creating a new market, which may not be directly targeted against a competing actor. This distinction between *power over* and *power to* is related to the relationship between power and functionality discussed above. With *power over*, both power and functionality are more narrowly focused on the interests of TFA members. With *power to*, power and functionality are more diffuse.

Our approach to power is similar to Barnett and Duvall (2005a), who have very usefully called for an integration of the four types they identify: compulsory (similar to *power over*); institutional and structural (based on the more collective aspects of power); and productive (the shaping of systems of meaning and signification through discourse). Their formal definition expresses this integrative goal well, and we adopt it in this book: "*power is the production, in and through social relations, of effects that shape the capacities of actors to determine their circumstances and fate*" (Barnett and Duvall 2005a: 8, emphasis added).

As discussed in Chapter 1, our assemblage ontology allows us better to understand how TFAs can help enroll actors and objects to increase the power of financial actors; how the disaggregated complexity of global finance can solidify that power and make it hard to challenge; but also how humans and objects can modify and/or confound an action they were expected to transmit, thereby undermining the power of financial actors. Our approach to functionality helps understand the role that TFAs play in coordinating financial actors and objects to achieve desired effects, thereby increasing their power, but also the way that constructed functional constraints are used arbitrarily to claim that a particular course of action is dictated by the task rather than by the interests of the TFA, and therefore other actors should adjust their practices accordingly. In the chapters that follow we explore the important role played by TFAs in producing and extending the power of financial actors, while also revealing limitations of this power.

Conclusion

We hope that our metatheoretical and theoretical discussion so far will help both in explaining patterns in the activities of TFAs and the impact that they have on global finance and global governance more generally: TFAs as effects and the effects of TFAs. In conventional social scientific terms we are interested in TFAs as independent, intervening, and dependent variables; however, we do not sharply separate these in the chapters that follow. We hope that our metatheoretical and theoretical discussions have set the stage for understanding TFAs by allowing for the possibility that multiple types of actors and institutions can contribute to governance and by calling for skepticism towards approaches that rule out the possibility that TFAs may be important by assuming that only some types of actors—dominant social classes, rational individual actors, or states—are relevant.

We have also suggested ways to understand the patterns that are revealed in our study of TFAs. TFAs respond to particular functional problems that shape the form taken by those associations. This is not a mysterious manifestation of deep latent functional imperatives, but rather involves often hotly contested struggles to identify problems and creatively to combine humans and objects to solve them. Our chapters that follow will define and describe these functions in much more detail. Some of these functions of TFAs are quite generalized, and the next three chapters each address one of these in turn. We label these more general functions "roles" to distinguish them from the great number of other functions that we will also examine.[7] Chapter 3 discusses the way that TFAs interact with public authorities at the global level, through advocacy and other activities, to reshape the public/private boundary. Chapter 4 focuses on the ways that TFAs build and extend markets. Chapter 5 analyzes the way that TFAs construct communities among their member firms.

The assemblage ontology, and our approach to functionality and power, which we have set out in this chapter, will also help in analyzing other ways that TFAs are differentiated, further challenging unified dominance models of financial power. Chapter 6 examines the unique case of European financial integration and the roles that TFAs are playing in it. Chapter 7 focuses on the global South, showing that southern TFAs not only play a role in developing finance in these regions but that they also do much more than simply transmit power emanating from the global North. Chapter 8 discusses TFAs that are motivated by purposes other than the pursuit of profit that is conventionally seen as a defining characteristic of private financial actors. Our emphasis on assemblage, functionality, and power suggests that none of the powerful actors on which other theories have focused are quite as powerful or predictable as those theories suggest. TFAs are not relentlessly harnessed to them. The powerful actors and the outcomes that we might predict from their actions are not entirely unified, autonomous, homogenous, or infallible.

3 Transnational financial associations and the global public sphere

Reshaping the public/private frontier

The globalization of financial markets has been one of the most dramatic changes in recent world history. This process has eroded borders and compressed space and time, but it has also altered the boundaries and character of the public sphere. In this chapter we focus on the TFAs that are most directly involved with this macro-historical change. These are TFAs that seek explicitly to influence, on behalf of a globalized industry segment that they claim to represent, the global governance of that segment, including the relationship between public authorities and private actors. These associations, which we label *top* TFAs, are a relatively small proportion of all TFAs: we identify 12 in total—four particularly important top TFAs and eight that are somewhat less important. Most TFAs are either insufficiently global or insufficiently focused on influencing public authorities to be included in the top TFA category. These top TFAs are important because of the large-scale, explicitly political activities to which they are devoted. If there is a centralized powerful private-sector command centre in global finance we would expect most clearly to find evidence of it among the activities of these top TFAs.

The theoretical discussion in Chapter 1 and Chapter 2 suggests a number of interrelated questions to consider when examining top TFAs, related to our three themes of assemblage, functionality and power as enrollment. The first is whether top TFAs express the type of unified dominance of finance that many approaches expect, or if instead they match up with the more disaggregated assemblage ontology that we have developed in Chapter 2. Unified dominance models see power as originating elsewhere than TFAs, such as in powerful states, the pressures of market forces, or structures of capitalism. If power originates elsewhere, we may expect even top TFAs to have little independent significance, except perhaps in faithfully transmitting that power from its original source. If power is centralized, for instance in a hegemonic US state or capitalist class, we would expect top TFAs to display traces of this centralization themselves as they automatically transmitted this centralized power. For instance, we might expect that TFAs would be arrayed in a hierarchy, with the most powerful top TFAs orchestrating those below. Alternatively we might expect that power is carried by invisible structural mechanisms that do not require TFAs at all. Since top TFAs especially are associated with efforts to shape governance at a broad macro-historical level, where the public-private boundary is produced or altered, and since they claim to represent industry segments in their interactions with public authorities, unified dominance models would lead us to expect to find even more evidence of centralized structural power when examining top TFAs than when examining smaller and more local TFAs.

In contrast, our assemblage ontology sees power as painstakingly produced through sets of interconnected but relatively autonomous, emergent, and sometimes conflictual practices, a process in which TFAs play key roles, making independent contributions to the production and transmission of power. They are not likely to be integrated or centralized themselves, reflecting the relative autonomy of the networks and assemblages they enroll.

The second question asks about functionality, expanding upon the issue of the relative importance of centralization and disaggregation. Do top TFAs, even though they interact with public authorities at the highest levels, still reflect functional differentiation and organizational functionality, as we suggested in Chapters 1 and 2? Unified dominance models might expect top TFAs to work closely together to convey or issue broad demands, not worrying about trivial technical details. In contrast, our emphasis on functionality suggests that even top TFAs will be strongly oriented towards various differentiated functions that reduce their unity and entangle them in technical details that shape their organizational forms in distinctive ways. Top TFAs will not only be engaged in producing or transmitting power, but also in solving difficult problems that are seen as setting limits to what they can do or demand. Their interactions with public authorities will display this functional orientation, not just in the work of TFAs, but also in a division of labor between TFAs and public authorities, where each side expands its influence and power by carrying out its distinctive part in joint functional projects, each trying to bend these functional projects towards its own purposes, rather than simply engaging in collusion or conflicts over an undifferentiated power that originates elsewhere.

A third question is what an examination of top TFAs tells us about power in global finance. As discussed in Chapter 2, power is often treated as a resource that actors possess and wield, but our assemblage ontology stresses the importance of enrollment: the ability of actors to align their projects with the projects of other quite autonomous networks and assemblages of humans and objects, and to make use of those other networks and assemblages. This can make small actors that successfully enroll others far more powerful than approaches that treat power as a resource that is possessed. However, it can also complicate the exercise of power, since enrollment can fail. For instance the networks and assemblages that this exercise of power relies upon can be enrolled in some new project with contrary purposes or outcomes, or a key object, such as a computer system, can break down. Power involves both expressive and material dimensions, and includes both *power over* and *power to*. In examining top TFAs we can ask whether they are manipulated by other actors, such as banks, which possess large quantities of power resources, such as money, or if instead top TFAs independently contribute to the production of power by enrolling networks and assemblages of humans and objects. We can see if top TFAs reflect both a zero-sum exercise of *power over*, where their member firms get benefits in direct relation to losses experienced by others, as well as *power to*, where their member firms benefit from an increased ability to accomplish things that previously were not possible, with these benefits extending to other actors.

The remainder of the chapter is devoted to a more detailed discussion of each of the 12 top TFAs, devoting more attention to the first four, which are more influential. The first set of four includes the Institute of International Finance, the Global Financial Market Association, the International Swaps and Derivatives Association, and the International Accounting Standards Board. The second set of eight includes the Counterparty Risk Management Policy Group, the Group of Thirty (G30), the World Federation of Exchanges, the International Capital Market Association, the Financial Leaders Group, the Emerging Markets Traders Association, the Alternative Investment Management Association, and the International Investment Funds Association. Our order corresponds to our assessment of their relative importance, although this is necessarily imprecise and arguable. We also briefly discuss representation in the insurance industry. We have chosen to organize this discussion by looking at each TFA in turn because the work of many of these TFAs is not well known, and it is better to make clear what each does rather than immediately analyzing their significance.

It is important to emphasize that there is no simple measure that permits us or any other observers to determine which TFAs deserve to be designated as *top* ones. Even if it were possible to obtain the often confidential data that would allow us to compare TFA budgets or the revenues of member firms, this would not be a useful measure of those TFAs' influence. For instance, an informal grouping of a few top bank CEOs, with no independent budget but with extensive access to policymakers, may be far more influential politically than a bank association that collects dues from a great many members but that mostly provides technical services in exchange. By "top" we mean most prominent in matters concerning the global organization of finance. This requires the exercise of judgment, not ranking with regard to any single quantitative measure. We selected our top TFAs after carefully reviewing the activities of the 225 TFAs that we identified, as discussed in Chapter 1, and after considering the role played by particular TFAs in major interactions with public authorities, including in the aftermath of the 2007–08 financial crisis.

For instance, the Institute of International Finance, the first top TFA we discuss below, includes in its website's header its claim that it is "the global association of financial institutions," and evidence supporting its prominence can be found in the number and stature of its members, the policy-relevance and timeliness of its activities, and the unique high-level interactions it has with official bodies such as the Basel Committee on Banking Supervision

(BCBS). The second top TFA we discuss, the Global Financial Market Association (GFMA), together with the regional securities markets associations that it represents, have been prominent in regulatory reform debates, and there have not been similar TFAs that could credibly claim to represent the breadth of securities markets actors at the level that the GFMA does. Conceptually it is not surprising that industry segments would combine their efforts and work through a single TFA when interacting with public authorities: it is more efficient to consolidate these activities and the industry segment is likely to wield more influence if it speaks with a single voice. We are confident that we have identified 12 of the most influential TFAs, but we also recognize that our selections are based on qualitative judgments that can reasonably be challenged, and we welcome such challenges as research and analysis of TFAs continues after the publication of this book.

In the remainder of this chapter we shall see that the most powerful global TFAs are surprisingly fragmented and weak. At the same time they draw power from their ability to enroll networks of actors and objects, and from the autonomy of those networks, which solidifies and locks in particular tendencies. The functional differentiation and orientation towards functionality discussed in Chapters 1 and 2 will be very evident as well. We shall see that these TFAs combine quite technical and practical work with their attempts to influence policymakers. As will be even more evident in subsequent chapters, this technical and practical knowledge is not simply a resource, like money, that is used to influence public-sector actors who then take decisions that shape markets. Rather it can directly shape emerging public and private practices and thereby organize markets. Functional claims are used to empower TFAs and their constituencies, and to try to discipline other actors, including public authorities.

Institute of International Finance (IIF)

The IIF is headquartered in Washington with over 450 members in over 70 countries around the world, and annual revenues of about US$30 million.[1] Its sheer size and global representation make it the most important TFA in the world today. The Institute of International Finance (2007: 2) traces the idea for its creation back to a 1982 meeting of 38 senior bankers and public officials, convened during the onset of the debt crisis. The senior public officials at that meeting included three from the IMF, and one from each of the World Bank, the US Comptroller of the Currency, the Bank of Japan, and the Bank of England. The Bank of England's representative was Peter Cooke, who had been the first chair of the Basel Committee on Banking Supervision. William Donough, who subsequently would also chair the BCBS and head the New York Federal Reserve, was also present as a representative of the First National Bank of Chicago. The participants agreed that a TFA that could help banks by producing and sharing information about sovereign risk would be very useful. Within two years its membership had expanded to nearly 188 banks (ibid.: 4). The link of the IIF's foundation to the debt crisis, and the role played by public officials, fits our themes of assemblage, functionality, and power as involving enrollment, rather than with the notion that the IIF is an unproblematic expression of the structural interests of banks.

Over the ensuing years the IIF would become the most important private-sector interlocutor for public authorities, especially those in the Basel Committee and the IMF.

At first the IIF paid little attention to regulatory matters and its Working Group on Capital Adequacy was only formed in 1991, three years after bank regulators from the 12 most financially important countries, working through the BCBS, agreed to the Basel Capital Adequacy Accord. Yet as the BCBS revised the Basel Accord, between 1993 and Basel II's release in 2004, the IIF became its principal private-sector interlocutor.[2] The IIF helped the BCBS do quantitative studies that were used as prototypes of the final accord and it facilitated the sharing of information about internal bank risk models by acting as a trusted guardian of the proprietary information that they involved. The IIF takes pride in its ability to "shape this new accord in closer alignment with the realities of the financial industry,"[3] including especially the BCBS's willingness to rely on the banks' own internal risk models in assessing the level of capital they are required to hold.

Many scholars have seen this relationship as indicating capture of the BCBS by the IIF (Baker 2010; Claessens and Underhill 2010; Lall 2011), but a carefully researched study by Young (2012) convincingly argues that on key issues, such as degree to which internal models and risk ratings could be used, and the imposition of new capital charges for operational risk, Basel II was significantly stricter than if it had simply reflected the industry's preferences. As well, conflict between a set of operational risk managers within the IIF who organized themselves as the International Technical Working Group, and who favored operational risk charges consistent with their own professional interests, and IIF members that opposed operational risk charges, was a factor in the regulators' inclusion of the charges in the final standards (Young 2012). The final standards thus were not the result of a predetermined plan of the industry that was then codified by captured regulators, but rather they resulted from a flow of intense interactions between regulators, competing models, and empirical data produced by the actual ongoing experiences of banks with defaults and losses. This fits closely with our themes of assemblage, functionality and power, where the material and ideational dimensions of relatively autonomous networks are brought together, including the operational risk managers' network cutting across the banks, with actors seeking to enroll other actors and objects rather than simply deploying previously possessed power resources.

Along with other TFAs, the IIF also played an important role in preventing a formal Sovereign Debt Restructuring Mechanism (SDRM) and developing instead voluntary collective action clauses (CACs) in sovereign bond contracts, accompanied by voluntary "Principles for Stable Capital Flows and Fair

Debt Restructuring in Emerging Markets," issued in 2004. A Principles Consultative Group of emerging market officials and representatives of financial firms was established to monitor the implementation of the principles in particular countries, as was a public/private high-level Group of Trustees to monitor and steer the development of the Principles. The IIF's importance to sovereign debt governance was again illustrated by the lead it took in coordinating an industry offer of €135 billion from 2011 to 2020, in response to the pressure from the EU that the private sector should bear some of the cost of the Greek crisis of 2011.[4]

Helleiner (2009) and Ritter (2010) have analyzed the complex and conflictual interactions that led to the CACs and the voluntary Principles. Like the IIF's founding, these initiatives were a response to a crisis, which in this case involved the unwillingness of the US and other governments to continue to bail out investors in developing country debt, the difficulty for dispersed bondholders to manage an orderly restructuring despite their collective interest in this, and the antipathy of the financial industry and some governments towards a formal SDRM. Again, the IIF did not simply express predetermined structural interests of the banks it represented but instead had to work with fluid networks of actors, some of which, including private financial actors, switched from opposition to support for CACs as the process unfolded. A key moment was when Mexico included a CAC in a bond issue and, contrary to many expectations, there was no adverse effect on the demand for the bonds from investors. This corresponds to what Latour (1999: 281) has called "the slight surprise of action" that complex networks of humans and objects can produce.[5] The IIF's role in the 2011 Greek crisis displayed similar fluidity.

The IIF has also sought to shape the evolution of financial regulation in the lead up to and aftermath of the global crisis of 2007–08. In 2005 the IIF launched a set of Guiding Principles that aimed to make international regulation more efficient and effective by aiming for market-oriented solutions where possible, and making global coordination with good industry input the priority. During the crisis the IIF produced a set of "Principles of Conduct and Best Practice Regulations."[6] This report recommended changes to deficiencies in market practices, including executive compensation policies and risk management. It also made a series of recommendations to officials, for instance expanding the ability of central banks to offer the type of support to markets that they did after December 2007; not tying liquidity risk to capital requirements in Basel II;[7] making sure that all securitizations are not "tarred with the same brush" or unnecessarily restricted;[8] urging caution and consultation in altering accounting or regulatory rules on securitization or off-balance sheet vehicles; and urging use of Basel II's Pillar 2 (supervisory review) rather than Pillar 1 (capital charges) in devising responses to the crisis. By 2011 the IIF had issued follow-up reports on progress in implementing the best practices it had identified.[9]

The IIF's 2011 *Achieving Effective Supervision: An Industry Perspective* displayed a similar mixture of acknowledgement that "supervision needs to be more intensive and challenging than in the past" (p. 15), that "maximum pressure needs to be placed on deficient jurisdictions " (p. 25), and that "the industry must do better than it did before the crisis if it is to rebuild the trust between supervisors and supervised entities" (p. 27), with calls to limit certain regulatory initiatives that it opposed. For instance, the report expressed the industry's willingness to pay for more robust supervision, while stating that "it would be a far better use of additional financial demands on firms than generalized levies or broad purpose funds" (p. 19). Similarly the report called on supervisors primarily to work with the internal governance structures of banks to ensure that business plans and risk management are prudent, and only in very rare cases to intervene more directly to prohibit particular activities: "the role of supervision is to ensure that [financial firms] are well managed and run, rather than to restrict them to a centrally determined set of options" (p. 15). Its main organizational initiative was to launch a Market Monitoring Group (MMG) which would be co-chaired by two former central bank governors and which by 2011 was being promoted by the IIF as a valuable source of expertise on macro-prudential matters.[10] Overall the IIF's stance could be characterized as reactive, accepting the need for strengthened regulation as compared to before the crisis, but voicing its opposition to selected measures. These different aspects of assemblage, functionality and power as enrollment allow the more complete picture of the complex combination of strengths and weaknesses of the IIF to become visible.

Global Financial Market Association (GFMA)

Created in 2009, the GFMA has three members: the Association for Financial Markets in Europe (AFME), the Asia Securities Industry & Financial Markets Association (ASIFMA), and, in the US, the Securities Industry and Financial Markets Association (SIFMA).[11] SIFMA itself was created by a 2006 merger of the Bond Market Association and the Securities Industry Association. AFME was formed by a 2009 merger between SIFMA-Europe and the London Investment Banking Association, which also integrated six other European TFAs into the association.[12] This very significant consolidation of associational capacity in global securities markets reflects the greater complexity and salience of global regulatory issues for the securities industry following the 2008 crisis.

The three members of the GFMA are important TFAs themselves. SIFMA "brings together the shared interests of more than 650 securities firms, banks, investors, and asset managers."[13] It is very heavily engaged in seeking to influence public regulation, especially in the US, but also in Europe. For instance, in 2009 SIFMA initiated a campaign to counter public anger against the financial industry using regional and local financial firms that had not been as tarnished by the crisis. The campaign drew upon the services of former Treasury Secretary Henry Paulson's former spokesperson and his former chief of staff.[14] Following the 2007–08 crisis SIFMA was also particularly active in discussions about credit rating agencies.[15] AFME plays a similar role in Europe, working at both the national and EU levels. ASIFMA has a greater emphasis on developing standardized business practices in its work, but it too is heavily involved in regulation-related advocacy. All three TFAs provide standardized forms and various educational or research services to members and the public, but these play a much smaller part in their work than does their engagement with public authorities. However, their own rulemaking can play a significant role. For instance, working together with other associations, and as GFMA, the three TFAs were heavily involved in 2011 with the creation of a technically demanding Global Legal Entity Identifier System, noting that "the accurate and unambiguous identification of legal entities engaged in financial transactions is foundational and critically important towards the improved measurement and monitoring of systemic risk by regulators and supervisors."[16]

The GFMA provides a vehicle for these three TFAs to coordinate their global advocacy activities. For instance, in 2010 the GFMA issued a statement prior to the 4–5 June meeting of G20 finance ministers expressing its general support for the direction of the reform, but warning that "hasty" implementation of Basel III, or inadequate consideration of the aggregate effect of all the reform measures, could have a negative impact on the economy.[17] Similarly, in 2011 the GFMA wrote a 40-page letter to the BCBS detailing various concerns about unresolved issues associated with that committee's Basel III reforms. The letter acknowledges that "the new standards will help protect financial stability and promote market confidence" and generally accepts the overall direction of the reform, but expresses concern about potential inconsistencies if implementation varies across jurisdictions, or if various global initiatives are not developed in a "holistic" manner so that they "dovetail."[18] The letter also expresses concern about the technical details of the complex measures that the BCBS was continuing to develop, such as exactly how firms would calculate the BCBS's Liquidity Coverage Ratio or the Net Stable Funding Ratio, both of which were designed to prevent the evaporation of liquidity that occurred during the 2008 crisis. Other 2011 letters to public authorities, for instance to the Financial Stability Board on the issue of Systemically Important Financial Institutions (SIFIs) or the shadow banking system, were similar. For instance, the GFMA supported efforts to develop better resolution regimes for SIFIs, but opposed imposing special capital buffers on them, arguing that they were already subject to sufficient regulation.[19]

Overall the GFMA has displayed a reactive stance following the 2007/08 crisis that is similar to that of the IIF. Its origins in the consolidation of various regionally focused groups, and its ongoing reliance on the three regional groups that constitute it, are more consistent with our themes of assemblage, functionality, and power as enrollment than with a unified dominance model in which a centralized financial elite proactively shapes global governance.

International Swaps and Derivatives Association (ISDA)

The ISDA has been the primary source of governance in the multi-trillion-dollar over-the-counter (OTC) derivative markets. A derivative involves financial commitments based on the performance of another financial instrument, such as when a seller of a credit default swap (CDS) promises to pay the buyer if a third party defaults on its debts. The International Swap Dealers Association, as it was initially known, began with a group of dealers, frustrated with the amount of time spent negotiating a new derivatives contract for each trade, who got together in New York in 1984 to advance standardization of swap documentation (Golden 1994). The ISDA was chartered in 1985, to facilitate the copyrighting of the standardized documentation that the dealers had produced.[20] However, it soon became a formidable lobbying force arguing successfully against regulation, even after some signs of serious problems in the industry became apparent in the early 1990s. In response to concerns at this time ISDA pointed to the detailed voluntary guidelines produced by the private G30, discussed below, as an alternative to regulation (Tsingou 2006). As Tett (2009: 40) comments, "by the end of 1994 the ISDA campaign had been so brilliantly effective that all four of the anti-derivatives bills in Congress were shelved … It was an extraordinary victory for ISDA—one of the most startling triumphs for a Wall Street lobbying campaign in the twentieth century."

The ISDA has five identified core competencies—documentation; netting; market infrastructure; research and analytics; and public policy and education[21] —but the significance of its governance role is especially evident in the market's use of its Master Agreement, a template that can be incorporated into derivatives contracts. This simplifies transactions, but also provides a recognized set of standards that foster confidence. The vast routine documentation that results from its use provides a materiality that helps stabilize the markets (Riles 2008). The ISDA can update the Master Agreement as market conditions change, and it can be convenient for parties to existing derivatives contracts to incorporate these changes rather than renegotiating their contract bilaterally.

The ISDA also has worked aggressively to have national legislation altered to complement the Master Agreement, and to seek out legal opinions in order to influence national courts to rule favorably on disputes related to OTC derivatives.[22] It also works to avoid unwanted domestic interference with its transnational rules, while also drawing on the power of domestic law to help enforce its rules. ISDA initiatives seek, for instance, to ensure that gambling laws are not applied to derivatives, or that the collateral that is used to foster trust between the parties to a derivative contract be given priority over other obligations if one of the parties goes bankrupt. The relationship of the ISDA's standard documentation to domestic law is also evident, for instance, in Section 13 of the 2002 Master Agreement, entitled "Governing Law and Jurisdiction," which commits the parties to irrevocably waive "all immunity on the grounds of sovereignty" and to submit to English law, US law, or other mutually agreed and specified law, thereby precluding the use of other law in disputes.

Most of the work of the ISDA is carried out in relatively autonomous committees, reflecting the importance to its members of the technical problems that these committees address. Following the 2007–08 crisis the ISDA, which itself is governed by a Board of Directors, created a four-level governance structure for the industry: an ISDA Industry Governance Committee (IIGC) on top; Steering Committees, mostly related to the individual asset classes, as a second layer; a third Implementation layer; and a fourth Working Groups layer.[23] This governance structure indicates ISDA's practical and functional orientation. The dual function of the IIGC includes both "the strategic direction of market practice and post-trade activities" and "liaising with regulators."[24] In other words, it carries out both self-regulatory and advocacy functions.

The ISDA also brings together actors with different interests. By 2011 it had grown to include 820 members from 57 countries on six continents. In addition to financial firms its members in 2011 included law firms (26% of members), energy and commodity firms (8%) and government entities (8%).[25] Categorized differently, the members include the major dealers, five of which dominate the market,[26] users that purchase derivatives to manage risks or to speculate, and firms that provide legal or other services for derivatives transactions. The dominant dealers that founded the ISDA have maintained their prominence in its governance, enhanced by the power wielded by these firms in market transactions (Biggins 2012). However, this dealer control has been altered to some degree. In 2009 three non-dealer "buy-side" member firms were allowed on the ISDA Board of Directors for the first time,[27] and this number was increased to five by 2010, with a Buy-side Advisory Group also being formed. In the industry governance committees, two thirds of the positions are now for dealer "sell-side" firms and one third for buy-side firms.[28] Yet the interests of these two types of firms may diverge in important ways. The dominant dealer firms benefit from a lack of transparency in the market, since it allows them to more easily set the terms of customized derivatives and the collateral associated with them to maximize their profits at the expense of buyers,[29] while the buy-side firms will understandably prefer more transparency. The post-crisis efforts of the G20 to increase transparency and stability by requiring the shifting of OTC derivatives from bilateral transactions to the use of a central counterparty (CCP), and the recording of transactions in trade repositories, are also likely to diminish the power of the dominant dealers, although it is also possible that the dealers will enhance their power by controlling CCPs.[30] In defending the industry against regulation the dealers have been quite successful in enrolling non-financial users of derivatives, which are better able to elicit public support than are Wall Street firms (Lundblad 2011).

An important aspect of ISDA's role in governance which has emerged following the 2007–08 crisis is the work of its five Determinations Committees (Biggins 2011). These committees, organized on a regional basis, are responsible for deciding whether a problem with a debtor constitutes a "credit event" that triggers payments by sellers of CDS referencing that debtor. If there is a credit event the value of the payments is established by an auction process administered by the ISDA. Each Determinations Committee has 10 dealer and five non-dealer members. On key decisions an 80% supermajority is needed, with the question going to an External Review body consisting of independent third-party professionals (such as legal experts or academics) if the 80% threshold is not reached.[31]

The decisions of the Determinations Committees (DC) can be very consequential. For instance, in the Greek sovereign debt crisis of 2011–12 European authorities were eager to ensure that the losses incurred by holders of Greek debt would be treated as voluntary, and not trigger CDS payments, due to concerns about the reputational impact of a default, and perhaps worries about the impact of such payments on the stability of some banks that had sold CDS and would have to make those payments.[32] There were sharp disagreements about the adequacy of the DC process. Critics pointed to the domination of the committees by large dealers with interests in the market, while ISDA's defenders pointed to the voting and appeal procedure discussed above as a mechanism for preventing any particular interest dominating the process.[33] When a Greek credit event was declared by the relevant DC in March 2012 and the resulting claims were resolved through an auction in a relatively uneventful manner, this was taken by ISDA supporters as evidence of the soundness of its governance role in CDS markets,[34] although the relatively small $3.2 billion (after netting) that was at stake may reduce the relevance of this case for bigger problems. Overall the attention paid by ISDA in its public comments to the integrity of the process, including citing the support of regulators for it, highlights the degree to which this form of power is not guaranteed structurally but rather involves enrollment and functionality. This process is significantly more elaborate than the earlier practice of the seller and buyer working out bilaterally whether there had been a credit event. However, as with ISDA's work more generally, much of this change seeks to address its legitimacy among market actors rather than its broader public accountability (Helleiner 2011b).

Overall, despite its impressive ability to shape the governance of derivatives markets, the ISDA fits better with our themes of assemblage, functionality and power as enrollment than with a unified dominance model that treats financial power as emanating from a single location. This is evident in ISDA's origins in a technical problem, its use of the G30 guidelines, the de-centered presence of the Model Agreement's effects in derivatives contracts, and ISDA's enrollment of national legal processes. Its influence is achieved by enrolling human actors (such as national legislators or judges) and objects (such as derivatives contracts based on the Model Agreement), rather than simply reflecting the deployment of centralized power located elsewhere. In its interactions with transnational public authorities, the ISDA framed its task as "Supporting G20 Objectives"[35] while calling for "regulatory consistency" and a "measured approach,"[36] illustrating a similar reactive stance to the IIF and the GFMA.[37] It strongly felt the need to counter an initial impression that it had been hostile to regulation.[38] ISDA is an emergent assemblage, in the sense that it is constructed in an ongoing way from its activities, which can involve conflicts and failures.

International Accounting Standards Board (IASB)

The IASB, which is managed by the International Financial Reporting Standards (IFRS) Foundation,[39] is quite different than the other top TFAs examined so far. Its primary focus is the creation of international standards for financial reporting, a key function for global capital markets since it gives investors confidence that they can compare and assess the financial health of the firms in which they are investing. This is a function that fits well with the focus of the next chapter, on the technical production of markets. However, the IASB is one of the most significant cases of transnational private rule-making, and it has had a significant impact on the reshaping of the public/private boundary in global financial governance and thus is included in this chapter.

As capital markets became more globalized there were increased incentives for harmonizing accounting standards. Having more than one set of financial reports is expensive for multinational firms and confusing for investors. Two main competing solutions to this problem have been relied upon historically. The first is the use of US Generally Accepted Accounting Practices (GAAP) produced by the Financial Accounting Standards Board (FASB) which in the late 20th century were extended to many non-US firms because of their desire to participate in the US financial markets since they are the world's largest and most important. The second have been the International Financial Reporting Standards (IFRS) produced by the private IASB. After the organization's 2001 establishment, replacing the more informal International Accounting Standards Committee (IASC), the IASB's first major success was the EU's and Australia's decisions to adopt its standards by 2005. By 2011 IFRS were required or permitted in almost 120 countries and all the remaining economies had plans to rapidly converge or adopt.[40] Following the 2007–08 crisis the IASB and its US counterpart, the FASB, with strong pressure from the G20 leaders, worked to converge their standards, at which point the IFRS would become accepted in the US.

The IASB has been more extensively studied than most of the TFAs we examine in this book. A number of quite different factors have been emphasized in analyzing its development and influence. As discussed below, the multiplicity of these factors, together with the interactions of the IASB with other actors and institutions, are indications of the relevance of our three themes of assemblage, functionality, and power as enrollment.

The IASB's origins can be traced back to the formation by representatives of various national professional accounting associations of the IASC, its predecessor, in 1973 (Botzem and Quack 2009). For its first decade the IASC did not make much progress on developing common standards, but rather identified some common principles without resolving important differences. However, it already exhibited the connection of transnational accounting standards to much larger and relatively autonomous networks or forces, which through subsequent processes of enrollment would create the current transnational accounting assemblage of which it is a key part.

One network was the professional accounting associations that founded the IASC, which were oriented towards Anglo-American approaches to accounting, as evident, for instance, in the key role in the founding of the IASC of Henry Benson (IASC's first chair) and Douglas Morpeth, both partners in London-based audit firms, and the latter serving also as chair of the Institute of Chartered Accountants in England and Wales (Botzem 2012: 49; Danjou and Walton 2012: 8). This Anglo-American orientation would persist, for instance in the influential role of the G4 subgrouping in the 1990s, consisting of representatives from US, UK, Canadian and Australian standard setters (Botzem and Quack 2009: 991). The profession of accountancy involves shared distinctive knowledge and practices that integrate it (Botzem 2012: 23–25; Botzem and Quack 2009: 993), and over time the cross-border activities of accounting firms gave these firms and the accounting profession a strong interest in harmonized standards (Caramanis 2002). The transnational power of accountancy was enhanced by the oligopolistic character of the industry (Eaton and Porter 2008), which is now dominated by the "Big Four" (PriceWaterhouseCoopers, KPMG, Deloitte & Touche, and Ernst & Young). The top four firms continue to be highly influential in the IASB today, as evident in the number of present or former employees of these firms who sit on the IASB or related committees, in the dominance of these firms in commentary on draft IASB standards, and in the funding that the firms provided through the IFRS Foundation to support the IASB (Perry and Nölke 2005; Botzem 2012). There is also evidence that despite the ostensible separation of funding from standard setting, funding can influence standards (Mattli and Büthe 2005: 410).

Cross-border accounting harmonization has always been influenced by relations among states as well. While IASB and FASB are private bodies, their standards can only be effective if their use in capital markets is accepted by public authorities. The success of the IASB, with its Anglo-American capital markets orientation, represented a defeat for those who hoped to create a more state-controlled arrangement in the European Community or the United Nations (Botzem 2012: 55–59), where priorities other than investment (such as taxation or regulating multinational corporations) might have been emphasized more. At the same time as the EU began more aggressively promoting its own capital markets, the IASB path seemed to offer the EU more input than relying on US GAAP (Martinez-Diaz 2005: 15), and the EU was able to project its power more effectively as it built those capital markets (Posner 2010).

The support for the IASC by public international organizations has also been important. This included the International Organization of Securities

Commissions' support for IASC's efforts in the late 1980s, leading up to its transformation into the IASB, and the promotion by the World Bank, IMF, and World Trade Organization (WTO) of capital markets-oriented accounting in the developing world, particularly after the East Asian financial crisis of 1997–98. It also included the reassertion of the influence of public authorities in accounting governance following the crisis of 2007–08 (Bengtsson 2011), emphasizing the use of accounting for supervisory purposes and not just investor decisions. In 2009 the IASB was given a public-sector oversight body, the Monitoring Board, the founding members of which were the European Commission, the Financial Services Agency of Japan, the International Organization of Securities Commissions (IOSCO) and the US Securities and Exchange Commission (SEC).[41] Also important were the G20 leaders support for the IASB and the efforts to converge its standards and US GAAP (Danjou and Walton 2012; Henry and Holzmann 2009), and the EU's more aggressive efforts to influence the governance and process of IASB standard setting (Bengtsson 2011). The IASB's Financial Crisis Advisory Group was chaired in 2011 by a former SEC Commissioner and the Chair of the Netherlands Authority for the Financial Markets.

There are a great many associations and committees other than the ones mentioned so far that interact in the production of transnational accounting standards. They include other globally oriented bodies such as the Financial Stability Board, the BCBS, the International Federation of Accountants (IFAC), the International Corporate Governance Network (especially representing institutional investors), the Chartered Financial Analysts Network, and many others. They also include the EU's European Securities and Markets Authority (previously the Committee of European Securities Regulators); the European Financial Reporting Advisory Group (EFRAG); the Federation of European Accountants; the European Federation of Financial Executives Institutes; and the Federation of European Stock Exchanges. Associations from other regions, discussed further in Chapter 7, and national accounting bodies (Ramanna 2012) are also important.

The IASB and transnational accounting standards fit well with our three themes of assemblage, functionality and power as enrollment. Although the IASB has been rightly criticized for promoting Anglo-American financialization and the interests of capital market actors at the expense of other values (Botzem 2012: 91; Nölke and Perry 2007), its history does not fit with the idea that this process is driven inexorably by the structural properties of the state system or global capitalism. On the contrary, transnational accounting governance is an assemblage of which the IASB is a key part. This assemblage has involved multiple conflicts between its relatively autonomous parts, including even between the accounting industry, investors, and the companies that are issuing reports on their financial performance. For instance, when accounting firms receive consulting fees from the companies for which they are also preparing financial reports, both firms have an interest in minimizing problems that investors might prefer to have highlighted. Yet investors are surprisingly weakly represented in transnational accounting governance relative to accounting firms, in part reflecting the importance of technical expertise (Botzem 2012: 155–61). Functionality is evident in the degree to which standard setting cannot simply be an arbitrary expression of power and interests, but must instead also solve certain complex technical challenges if the standards are going to work in practice (Martinez-Diaz 2005; Porter 2005). This work does not only involve engagement with human actors, but also with infinite numbers of recalcitrant or active objects, such as machines or paper records. Power is infused throughout the practice and governance of accounting, but this power involves the enrollment of a variety of actors that might have had other agendas, and the creation of the power *to* account for things that were not previously imagined, not simply a coercive centralized power *over*. Although accounting has been heavily oriented towards the interests of actors in capital markets, the relative autonomy of its standard-setting process, the importance of agreed principles and past standards in shaping that process, and concerns about legitimacy also provide opportunities for states to enroll accounting for regulatory or tax purposes, or for NGO campaigns against corruption (Gallhofer and Haslam 2007).

Other top TFAs

The top TFAs that have been discussed so far are the most prominent ones involved in high-level governance issues that are reshaping the public/private boundary at a global level. Our criteria were that a top TFA must seek explicitly to influence, on behalf of a globalized industry segment that they claim to represent, the global governance of that segment, including the relationship between public authorities and private actors. There is also a set of TFAs that meet these criteria for inclusion in the "top" category, but which are somewhat less significant than the ones discussed above. This is because the segment they claim to represent is smaller or because the issues that they address are less crucial for global financial governance. Space considerations preclude us considering the work of this second set of top TFAs in as much detail as we have discussed the first set, but it is nevertheless valuable to note briefly the role that they play.

The Counterparty Risk Management Policy Group (CRMPG) illustrates the development of a high-level *ad hoc* TFA that plays an effective policy advocacy role and, to some degree, a policy implementation role. It was formed in 1998 after the near-catastrophic collapse of the Long Term Capital Management hedge fund.[42] As *Wall Street & Technology* put it:

> Despite the battle cry for government regulation of U.S. players in the OTC derivatives markets, each time the industry has managed to negotiate a ceasefire. An especially effective tactic is to form an industry working group. After chastising the industry this fall for not tracking its exposure to counterparties like Long-Term Capital Management, the regulators

> are once again giving the industry a chance to correct the mess themselves. So the industry has formed the Counterparty Risk Management Policy Group.[43]

The CRMPG was co-chaired by E. Gerald Corrigan of Goldman Sachs, but previously head of the New York Federal Reserve Bank and the Basel Committee on Banking Supervision. It included senior executives from about 10 of the world's top banks.[44] The private-sector solution it proposed as an alternative to regulation was better voluntary standards and best practices in risk assessment. Its recommendations were featured in the official community's main multilateral response to the problems with hedge funds, a Financial Stability Forum (FSF) report on this topic.[45] The report opted for reliance on better management by banks of their exposures to hedge funds, rather than increased regulation of hedge funds, and a follow-up report on implementation issued by the FSF (2001) a year later noted that US FSF representatives had backed off from mandatory rules because of the industry's initiatives, which had included lobbying.[46]

The CRMPG also played a role in the 2007–08 crisis. Its CRMPG II report of 2005, predicted a number of the key elements of the current crisis, but evidently without significant effect.[47] In its 176-page 2008 report[48] the CRMPG III provided very extensive recommendations for changes to private-sector practices. While the CRMPG III report was important in reflecting the positions of leading banks, and in showing that the private sector was taking the crisis seriously, it did not play as prominent a role in the overall response to the crisis as the first report did in the response to the LTCM collapse.[49] This likely shows the limits of this type of industry initiative in more serious, complex, and systemic crises.

The G30 consists of 30 individuals prominent in global finance, including ones from the public sector, the private sector, and academia. For instance, in 2004 its members included the heads of the central banks of England, Spain, Poland, Mexico, and the European Central Bank. It also included E. Gerald Corrigan, Managing Director Goldman Sachs & Co. and former head of the New York Federal Reserve and the Basel Committee on Banking Supervision, and Andrew D. Crockett, President JP Morgan Chase International and former General Manager of the Bank for International Settlements and the chair of the FSF. The G30 produces reports on pressing issues in global financial governance, including a 2009 report on the financial crisis prepared under Paul Volcker's leadership. An early G30 initiative was the leading role it played in speeding up clearing and settlement in securities markets, a strongly functional project. An influential 1993 G30 report on derivatives was "instrumental in pre-empting additional regulation and legislation … G30 recommendations were adopted and promoted by all the relevant policy actors" (Tsingou 2006: 169). The functional character of the recommendations was crucial in empowering the industry. However, a major G30 report issued in 2010 on macroprudential financial regulation[50] strongly supported the creation of an independent macroprudential supervisor with enforcement authority. The G30 exemplifies the way in which diverse public and private actors with extensive linkages in financial governance are assembled to address functional problems. While G30 proposals skew towards support for an expansive role for industry actors in financial governance, this is not uniform or automatic, as evident in its position on macroprudential regulation.

The Paris-based World Federation of Exchanges (WFE) represents regulated financial exchanges, with 52 members from around the world as of 2011. The WFE works in conjunction with regional exchanges such as the Federation of European Securities Exchanges. A key function of the WFE is the statistics, standards, conferences, training, and publications that it manages, which are discussed in subsequent chapters of this book (McKeen-Edwards 2009). It also carries out a self-regulatory function through the requirement that members satisfy a relatively detailed set of membership criteria that set operational, financial and governance standards.[51] Its engagement with public authorities is most often focused on concerns that less regulated competitors to its members may be undermining the integrity or stability of the markets (which of course also may threaten to take business away from the regulated exchanges). One such issue is the fragmentation that off-exchange trading can create. Following the 2007/08 crisis the WFE especially advocated the advantages of shifting derivatives markets more onto regulated exchanges.[52]

Similarly the WFE has been a supporter of rules restricting "dark liquidity." Dark liquidity refers to mechanisms for trading that conceal data about the trade, particularly prior to the trade. Such secrecy is generally argued to be justified when knowledge of an impending large order will alter the market in problematic ways but there are concerns that dark liquidity can damage the transparency that is needed for markets to function. Dark trading has been increasing significantly in volume and speed, in part because of the growth of alternative mechanisms for trading relative to the traditional exchanges that the WFE represents. These alternatives pose a threat to the WFE members, since those alternatives rely on the type of price information that WFE member-exchanges produce but without the rules that WFE members must follow to produce and disseminate those prices.

The WFE argued in the International Organization of Securities Commissions' consultations on international principles for regulating "dark liquidity," which were finalized in 2011,[53] that:

> the waiver of pre-trade transparency on prices and volumes of orders should be given on an exceptional basis, only in the event that a significant adverse market impact could be expected … WFE supports the priority to be given to transparent orders over dark orders … this question must be looked at not only within the same trading venue but also across trade execution venues.[54]

In contrast, SIFMA, whose members are not necessarily tied to any particular exchange, stated: "Dark liquidity plays an important role in the investment trading process, in ensuring market efficiency, and in price formation," and urged the IOSCO principles "to specifically recognize the positive role that dark liquidity plays in the marketplace as well as the fact that different levels of pre-trade transparency may be appropriate for different market structures or order types … we believe that a cross-venue requirement for transparent orders to take priority over dark orders would curtail best execution and disadvantage investors."[55]

Both responses were framed as functional arguments, but their link to clashing interests and power are clear.

The International Capital Market Association (ICMA) is especially focused on international bond trading, and describes itself as "primarily a pan-European association, but with strong links and a number of members outside Europe."[56] This reflects its establishment as the Association of International Bond Dealers, in 1969, to help organize the Eurobond market. The development of the Eurobond market in the 1960s was an important phase in the post-World War II globalization of finance. The ICMA provides its own rules and recommendations for issuing and trading securities and has been recognized as a self-regulatory organization by the UK public authorities. It also developed the Global Master Repurchase Agreement, widely used for repo transactions, and similar to the ISDA, provides legal opinions on this agreement. As global finance has become more fully globalized and more complex the centrality of the ICMA to it has faded. At present its engagement with public authorities mainly concerns technical matters most relevant to continental European or London markets, while monitoring developments that are occurring at the global level.[57]

The Financial Leaders Group (FLG) consisted of CEOs from leading international financial firms, mostly from the US, the UK, continental Europe and Japan, and its main goal is to bring about the liberalization of financial service trade at the WTO. It was established in 1996 to provide a channel for public-sector negotiators to interact with private-sector actors during the post-Uruguay Round financial services negotiations, and played a prominent role in the successful conclusion of the WTO's 1997 Agreement on Financial Services (Vastine 2005). It was assisted by a lower-level, more technically focused group, the Financial Services Working Group (FLWG), which was better suited to working on the details of regulatory matters than are CEOs. On day-to-day liberalization the FLG and FLWG were assisted by the broader services coalitions in the US and Britain with which they are associated. The FLG and the FLWG presented a unified position to negotiators, including agreed lists of trade barriers they had identified in markets in Asia, Latin America, Africa and Eastern Europe (Vastine 2005: 2). Following the 1997 Agreement the FLG and the FLWG continued to work on financial services issues that are being considered at the WTO, especially the effort to extend liberalization of financial services in the Doha Round and efforts to set guidelines for domestic regulation. For instance, the FLWG commissioned studies to support its argument that certain Asian economies would benefit from further liberalization (Vastine 2005: 3). However, this has not been very successful. In part this is due to the complexity of services negotiations, the reduced enthusiasm for financial services liberalization among WTO members after the financial crises of the 1990s, and the failure of the US and the EU to make commitments on agriculture and other issues that many developing countries see as a precondition for any further commitments on services.[58] By 2011 the FLG and the FLWG were no longer playing a prominent role in the governance of global finance.[59]

The Emerging Markets Traders Association (EMTA) was formed in 1990 by 11 major trading houses to facilitate trading of LDC loans by standardizing procedures and documentation.[60] As a former EMTA director put it, "banking regulators had begun to express their concerns that sovereign loan trading resembled a 'Wild West Show'."[61] Soon after the EMTA's formation, E. Gerald Corrigan, head of the NY Fed and the Basel Committee, thumped his fist on the table in a meeting with the traders and made it clear that if they did not move to regulate the market, governments would. Consequently the EMTA created a code of conduct, which was approved in 1993. Although it was voluntary there was a strong incentive to comply because the "US Sentencing Guidelines for Organizations" provide for mitigation of penalties if firms can show that they have procedures in place to implement such codes. Subsequently the most important interactions with public authorities were to put forward EMTA's members' views on the various processes that were being considered to handle defaults and rescheduling of emerging market sovereign debt. For instance, the EMTA vigorously opposed the proposal for a formal SDRM, and played a leading role in the significant industry influence on the CACs in sovereign bonds that ultimately were adopted as an alternative. In part the industry support for CACs reflected the view that an imposition of an SDRM by public authorities would have been worse, but also, as an EMTA Executive Director stated, "EMTA members seem to believe that while the enforceability of bonds generally underpins the market … actual enforcement by a single creditor [through litigation] can have the potential to reduce value for other investors."[62] A prominent example was vulture fund Elliott Associates' litigation seeking the full value of Peruvian defaulted bonds that they had picked up cheaply, which disrupted the negotiations other creditors were carrying out with Peru (Varottil 2008). CACs addressed this problem by allowing a specified percentage of creditors to authorize restructuring for all creditors (Lavelle 2010; Helleiner 2009). Over time the ETMA added buy-side members and perspectives to its original exclusive focus on the sell-side, and this strengthened the association but required it to resolve tensions between these two internally.[63]

The London-based Alternative Investment Management Association (AIMA) is the global representative of the hedge fund industry. Especially since 2008 it has worked together with the more US-focused Washington-based Managed Funds Association.[64] It was founded in 1990 and includes more than 1,250 member-companies in more than 40 countries, accounting for about 75% of global hedge fund assets.[65] As of 2011 it had 20 full-time staff members. It engages in the type of market-constructing work that we address in the next chapter, including co-founding the Chartered Alternative Investment Analyst designation (CAIA), billed as “the industry’s first and only specialised educational standard for alternative investment specialists.”[66] However, from its beginning it also sought to influence public authorities. It has advocated transparency, registration, and the development of industry standards, in part to counter widespread perceptions, particularly in Europe, that hedge funds engage in market manipulation and “asset-stripping.”[67] It has issued its own “sound practice guides”[68] and it has supported the Hedge Fund Standards Board (HFSB), which was established in 2008 following expressions of concern about the industry from the Group of Eight.[69] It has argued that hedge funds did not contribute to the 2007–08 crisis, and has vigorously opposed designating hedge funds as systemically important, banning short selling, and restricting the pay of hedge fund managers. It also strongly and relatively successfully lobbied against what it saw as unduly restrictive provisions in the European Directive on Alternative Investment Fund Managers (AIFM) which was agreed by the European Parliament and Council of Ministers in November 2010.

The mutual fund industry is newer than some other financial sectors, and the International Investment Funds Association (IIFA), which seeks to represent it, is relatively new, not having formally constituted itself as an organization until 2001. The IIFA arose from a yearly meeting of national investment fund industry associations from 35–40 countries at which issues of common interest would be discussed and an informational declaration would be produced at the end. The host country would put together an agenda based on discussions in a steering committee composed of the associations from the US, the UK, Europe, Luxembourg, South Africa, South America, Japan, Canada, and usually another Asian country, especially Malaysia. A key reason these bodies moved to create a more formalized arrangement was to be able to speak more effectively to public-sector bodies such as the Organisation for Economic Co-operation and Development (OECD), IOSCO, and to national central banks and governments. In particular, the industry has lobbied successfully against an initial approach to managed funds of the Basel Committee on Banking Supervision, in which the capital requirements were, in the industry’s view, far too high. The creation of the IIFA was also stimulated by indications that public-sector officials at the OECD and IOSCO were beginning to think about taking initiatives with regard to regulating governance in the managed funds industry and the industry wanted to begin developing its own views on this. In 2005 the IIFA adopted four principles. Principle 1 was “Investment funds should be operated at all times in the interests of their investors.” It noted that “the industry endorses IOSCO’s ongoing efforts in areas of interest and concern to the investment fund industry.”[70] Other principles address transparency and a call to allow the industry to compete on a level playing field with other products. The IIFA has had a lower profile than the other TFAs discussed in this chapter, mostly receiving attention for its conferences and statistics.[71]

The main representational venue for transnational insurance firms interacting with public authorities is a public-sector body: the International Association of Insurance Supervisors (IAIS). The IAIS was founded in 1994, and insurance associations and companies have participated as observers since 1999. The Working Group on Observership and Membership issues established in 2000, with responsibility for the integration of private-sector observers into the IAIS work, identified risk management and educational/training activities areas where collaboration should be especially close. The Geneva Association, which bills itself as "the leading international insurance think tank for strategically important insurance and risk management issues," also plays a role. For instance, in 2011 the Geneva Association called on regulators to not apply the same rules on SIFIs to insurance as to banking, and proposed an insurance-specific methodology for identifying SIFIs in its sector.[72] The Global Reinsurance Forum was formed in 2009, especially to provide a voice to that segment of the industry on regulatory frameworks.[73] The World Federation of Insurance Intermediaries (WFII), launched in 1999, represents agents and brokers from about 100 national associations in over 80 countries, billing itself as "the single voice of insurance intermediaries in international public affairs."[74] However, it has not played a prominent post-crisis role in engaging with public authorities.

Analysis and conclusion: what lessons can be drawn from this survey of the top TFAs?

The above discussion of the organization and activities of the top TFAs fits well with our assemblage ontology, our approach to functionality, and our analysis of power, and challenges the unified dominance model of financial power that we criticize. The top TFAs are relatively fragmented, strongly reflecting the practical, functional problems that are specific to the industry segment that they claim to represent. Far from simply spouting self-justifying rhetoric or issuing threats, the most important top TFAs are heavily involved with detailed technical proposals and counter-proposals that are not predetermined, but rather evolve in the course of the discussion and research that is sustained in significant part by the activities of the TFA. The fragmentation and autonomy of the top TFAs relative to one another further undermines unified dominance models. There are certainly coalitions constructed around particular issues, such as the collective action clauses in bonds, or the Global Legal Entity Identifier System, but there are also many conflicts, such as the tensions between the sell-side and buy-side in the EMTA. Despite its prominence, the most important TFA, the IIF, does not coordinate the other top TFAs. Instead each TFA tends to correspond to well-defined industry segments, which in turn are organized functionally, such as banking, securities, derivatives, hedge funds, mutual funds, or insurance, rather than by common ties to a highly unified structure of power. This does not mean that these functional subsystems are entirely autonomous: TFAs can enroll one another in common projects, or their efforts can be complementary even without deliberate coordination, as suggested by an assemblage ontology.

Also consistent with our theoretical approach, the work of TFAs involves activities in which the material and the ideational are entangled. The documents and press releases that they issue, and the interactions they have with public authorities, are not simply propagandizing about the merits of private finance, with the intent of changing the attitudes of officials or citizens, but also are concerned with altering technical practices and procedures with huge material consequences. These initiatives can vary from the extraordinarily detailed, such as industry responses to the specifics of the Basel III reforms or the ISDA's Master Agreement, or they can be more general principles or best practices that intend to shape the direction of more detailed practices and procedures, as with the recommendations for reform of risk management and governance in financial firms that were issued by the IIF, the CRMPG III or the G30. The effects of these TFA activities go far beyond the altering of attitudes: once new technical practices and procedures are implemented they involve shifts in vast numbers of humans and objects distributed in networks, markets and firms that extend far beyond the formal boundaries of the TFA or the walls of the rooms in which they interact with public officials. These shifts involve alteration of documents, reworking of the physical positioning and movement of employees and executives, and the establishment of new offices and computer programs, all of which involve materiality and not just ideas.

Functionality and enrollment are closely linked in the work of top TFAs. The associations primarily seek to persuade public authorities by claiming that the preferred practices of TFA members will accomplish the public authorities' goals better than any alternatives that the public authorities might consider. This was very evident, for instance, in the IIF report discussed above, where the industry offered to open up its intra-firm practices much more to supervisory activities, which it argued would work towards supervisors' purposes much better than generalized levies or broad purpose funds. Its promotion of the IIF Market Monitoring Group, or of secondments between firms and official institutions, were not framed as demands made by powerful private actors designed to get better control over governance, but rather as ways for shared public/private interests in the functionality of finance to be pursued more effectively.

This linkage between functionality and enrollment reveals the ambiguity of the power relationship it involves. On the one hand, functional claims, as is so often the case, advance political projects by obscuring the private interests and power involved, and by seeking to root those claims in the imperatives of a system that is framed as operating independently of human volition. The IIF MMG and secondments can certainly enhance the industry's ability to capture regulators, and turn them towards the IIF's particular private interests. On the other hand not all these functional claims are purely rhetorical.

They also envision a setting in motion of complex chains of interactions that may or may not bring about the outcomes that are proffered. Once set in motion, and when interacting with relatively autonomous subsystems, the changes begin to work independently of the intentions of their initiators. The autonomy of these subsystems and the need to work through them constrains policy initiatives, which must be seen as taking these constraints into account if they are to be credible. This then also constrains the ability of top TFAs to make improbable claims of functionality. Assessing the balance between these two contrary tendencies of functionality, to act as an unfounded rhetorical device for enhancing private power and to constrain the rhetorical claims of private actors, is not just the job of observers, but also is endogenous to the interactions between public authorities and TFAs.

The relationship between fragmentation, functionality and power is also evident in conflicts between TFAs. On some issues different industry segments simply have different interests, and it is not surprising that the TFAs that seek to represent them can take quite different positions in their efforts to influence public authorities. Examples discussed above include the tensions between sell-side and buy-side firms in ISDA and the EMTA, and the differences between the WFE and SIFMA on dark liquidity.

Public authorities and unforeseen events continue significantly to shape the work of TFAs, often working against the short-term interests of the financial industry, but also taking the governance contributions of the industry itself seriously, whether these are rules or procedures created by TFAs, such as the ISDA and ICMA master agreements, or the management capacities of firms, as in the risk management practices highlighted by the 2008 IIF report. Even the IIF, the most powerful TFA, rather than proactively setting an agenda, has reacted to a significant degree to initiatives of public authorities, including in its post-crisis reports. There are numerous examples of TFAs responding reactively to public-sector initiatives. For instance, TFAs merged or were newly established in order to respond more effectively to public authorities, as with the Global Financial Market Association, the Global Reinsurance Forum, and the Hedge Fund Standards Board after the 2007–08 crisis, or the Counterparty Risk Management Policy Group and the International Investment Funds Association earlier. The top TFAs are not simply always successfully promoting the predetermined interests of financial firms, but instead they are heavily engaged in identifying and making known those interests, constructing a way forward in interaction with public authorities.

The TFAs' efforts to work with public authorities partly reflect the unique effects of the 2007–08 crisis. This is evident in the IIF's references to the need to rebuild trust with public authorities. It is also visible in the ease with which the G30, the International Swaps and Derivatives Association, the CMRPG, and the EMTA were earlier able successfully to promote a voluntary set of industry standards for derivatives, hedge funds, and sovereign debt conflicts, pre-empting formal public regulation, while comparable initiatives after 2007–08, such as CPRMG III, the IIF best practices, or the HFSB standards were instead cast as complementary industry contributions to a much broader and more complex reworking of global financial governance. However, the 2007–08 crisis is not a completely idiosyncratic event, and it too should inform our assessment of the power of financial actors. Clearly the largest financial actors were not proactively and continuously shaping global financial governance as a unified dominance model of global finance might expect.

While the fragmentation, differentiation and functional orientation of top TFAs fit with an assemblage ontology rather than a unified dominance model, this does not mean that TFAs and their members lack power. On the contrary, the functional orientation of TFAs, and their ability to enroll financial actors and objects distributed in extended networks, provides them a much greater amount of power than if their only tools of influence were more directly to corrupt regulators, for instance by offering them well-paying jobs after their regulatory stints. This is a form of productive power, and the power *to* accomplish collective goals, rather than just power *over* regulators. Yet while this productive power vastly extends the capacities of top TFAs, it also has its limits, because it requires TFAs to enroll relatively autonomous actors, networks, and objects, which can act in other ways, including being enrolled into alternative programs. Most of the contestations between public authorities and TFAs are over these types of enrollments and the frames that privilege one possible enrollment over another.

Is it possible that the unified dominance of finance was being expressed elsewhere, and that the activities of TFAs were frivolous displays obscuring a more organized and less visible effort by finance to exercise control? For instance, firms and associations operate nationally and when they succeed in influencing the governments of powerful states, such as the US, this can have significant extraterritorial effects. Certainly powerful financial actors sometimes meet secretly in backrooms, perhaps devising strategies that TFAs to some degree reflect. However, in the words of an EMTA Executive Director, member firms have put TFAs "under considerable pressure to improve their efficiency and reduce their cost structures,"[75] and it is implausible that they would support TFA initiatives if they were frivolous. Top TFAs in particular routinely mobilize very high-level corporate executives and regulators, and it is highly unlikely that they would waste their time staging mock discussions while conducting the real discussions secretly elsewhere. As well, it is possible to trace the direct and meaningful influence of TFA initiatives and discussions on policies and regulations, such as the success of the IIF in getting proprietary models accepted by the BCBS. The interest of the industry in using top TFAs to shift some regulatory interactions to the transnational level in order to reduce regulatory diversity, overlaps or barriers is very evident, such as in the 2011 IIF report on effective supervision, the IAMA's concerns about EU protectionism in hedge fund regulation, or the GFMA's and ISDA's concerns about overlap and regulatory burdens. In short, while important governance activities are carried out by financial actors in locations other than top TFAs, these associations make a uniquely important contribution at the transnational level. This contribution has been stepped up in the wake of the 2007–08 crisis.

Since top TFAs are especially oriented towards interactions with public authorities at the global level, it is useful to consider their relationship to the types of inter-state interactions that have often been seen as the only ones that matter internationally. This chapter has shown that top TFAs are too diverse to support theories that see the US government working together with US firms to continually maintain control of a US-dominated world. More generally, it is clear that top TFAs do not simply reflect the power relations of the inter-state system on which conventional realist international relations theory focuses. The top TFAs do not spend much time on mediating between national interests, nor do they automatically express the interests of the most powerful states. Instead they seek to bring together private-sector actors from a variety of countries and to represent their interests by engaging with transnational public authorities. There are certainly variations in the degree to which each country's firms are active in TFAs, and these reflect the uneven distribution of private financial actors across countries, a distribution that corresponds to countries' wealth. However, this inequality is not primarily associated with inter-state conflict. The most significant counter-example is the accusation that the IASB promoted an Anglo-American approach to accounting, but even in this case the IASB took steps to respond to these criticisms.

While top TFAs have a unique role in their interaction with transnational public authorities on behalf of worldwide industry segments, and in their capacity to alter the public/private boundary, we shall see in subsequent chapters that some of the properties of top TFAs are present as well in the large number of important TFAs that are not sufficiently global in their membership, or not sufficiently focused on global governance, to meet the criteria we have used to identify top TFAs. This includes productive power, the power to construct and enroll actors, networks, and objects. TFAs and the production of markets is the focus of our next chapter, to which we now turn.

4 Constructing markets, industries and technologies

In this chapter we highlight the crucial role played by TFAs in constructing and extending financial markets, industries and technologies. In Chapter 3 we focused on the most macro-level roles of top TFAs in reshaping the global public-private boundary through their interactions with public authorities. In this chapter we consider instead the role of all TFAs, including the smallest ones engaged in much more micro-level, mundane activities with no direct interaction with public authorities. We argue that these smaller TFAs, like top TFAs, contribute to the construction of financial markets, empowering themselves and other financial actors, but also sometimes failing to construct markets, hindering the growth of finance and undermining the power of financial actors.

Financialization is a word that usefully captures three ways in which financial practices have expanded in the decades since World War II: territorial expansion; expansion to new activities; and an intensification of the impact of financial practices in any given territory or activity. This is a broader concept than the globalization of finance, which mainly emphasizes its territorial expansion. This breadth should be useful in helping understand what is driving the expansion of finance. However, as we discuss below, financialization often has been characterized as an inevitable property of modernity or an effect of a deep structure of capitalism that occurs relentlessly in all societies, independently of the initiatives of human actors. These perspectives are similar to the unified dominance models of power that we have criticized in previous chapters since they neglect the painstaking and failure-prone coordination of humans and objects that is required to produce an effect such as financialization.

As in previous chapters, we are interested in each of the three theoretical themes we have identified: the relevance of an assemblage ontology, the role of functionality, and the relationship of TFAs to power. We shall see that an assemblage ontology captures well the way in which small and large TFAs, acting relatively autonomously, can produce a powerful aggregate effect in expanding financial markets and their own capacities, but always by enrolling actual humans, objects, and networks rather than mysterious invisible structural forces. We shall see that functionality is crucial to this—including functional differentiation, evident in the ever-increasing complexity of TFAs in general, and organizational functionality, in which TFAs mostly produce their effects not in a unified directly political manner, but by orienting themselves to technical tasks. We shall also see that this involves the ambiguous but important entanglement of functionality and power, where the aggregate ideational and material effect of these technical tasks appears to lock in financialization, making it seem to be an imperative that operates independently of human volition. This chapter is complementary as well to our next chapter, Chapter 5, which examines the relationship between TFAs and their members, including the way that they empower one another.

The chapter starts by briefly discussing existing approaches to financialization that, contrary to our own approach, tend to treat it as a relentless force that operates independently of human volition. We then examine the role of TFAs in constructing and extending financial markets, industries and technologies, considering the relevance of an assemblage ontology, functionality, and power.

Inexorable financialization?

The theoretical approaches that we discussed in Chapter 2 all provide explanations for the territorial expansion of finance, such as the ascendancy of a financial fraction of the capitalist class, the efficiency gains that financial activities bring, or the role played by powerful states, especially the US and the UK, in promoting the interests of financial firms headquartered in their territory. These approaches to the growth of financial markets, as with their analysis of other aspects of global finance, can tend to underestimate the practical, detailed challenges that are involved in marshalling humans and objects to make this expansion happen. In this chapter, as in the others in this book, we examine the role played by TFAs in addressing these challenges.

As noted above, in analyzing the expansion of finance it is useful to consider the broader concept of financialization. The tendency of finance to expand relative to other economic activities in modern societies, which in an earlier period of rapid financialization had been analyzed to some degree by Veblen, Hilferding and Lenin, received renewed attention in the 1960s in liberal economic analysis by Goldsmith (1969), and in Marxist analysis by Baran and Sweezy (Foster 2007). Goldsmith provided extensive cross-national statistical evidence to support his contention that over time finance grows relative to other economic activities, and that stock markets and other non-bank financial activities grow larger relative to banks. For Goldsmith this reflected the contribution of financial markets to growth and development. For Baran and Sweezy the expansion of finance allowed capitalism temporarily to stave off the crisis generated by the inability of industrial capitalists to continue to profitably sell the products they were generating to the populations they were exploiting (Foster 2007).

Both liberal and Marxist-oriented research on financialization developed significantly in the midst of more recent explosive growth of finance. For instance, following in Goldsmith's footsteps, econometric researchers drew on much more extensive cross-national empirical data to try more specifically to determine the contribution of finance to growth, and whether economies with a banking-centered or capital markets-centered financial structure performed better. Beck, Levine and Loayza (2000: 265) concluded that "there is a robust, positive link between financial intermediary development and both real per capita gross domestic product (GDP) growth and total factor productivity growth," and that this operated by improving the efficiency of capital allocation rather than stimulating more savings or the growth of physical capital. Demirgüç-Kunt and Levine (2001) reached similar conclusions about growth, but also emphasized the importance of legal systems in protecting outside investors and enforcing contracts efficiently. They found that differences in financial structures had no significance for growth. Analysis of the expanding role of finance in corporate performance, including corporate governance, had mixed results (Froud *et al.* 2006). Other research emphasized its negative effects, including growing inequality, fraud, financial instability, and a short-term orientation that undermines long-run economic growth (Epstein 2005; Crotty 2005; Goldstein 2009; Haslam 2010; Palley 2007).[1]

In looking for broad macro-historical patterns, or seeking to explain micro-level performance by such patterns, this research, while sensitive to institutional differences such as those that distinguish bank-centered economies from capital market-centered economies, can tend to imply that the larger process of financialization proceeds relatively independently of the initiatives of particular actors or institutions. For instance, Demirgüç-Kunt and Levine (2001: 11) note that "we find that national financial systems tend to become more developed overall and more market-oriented as they become richer." Foster (2007: 5) argues that financialization "was a built-in possibility for capitalism from the start. But it was one that could materialize only in a definite stage of the development of the system." However, as Allen and Gale (2001: 43) note in one of their contributions to this literature, "Financial markets did not develop spontaneously. The earliest financial transactions involving loans and transfers through time were handled by institutions." They note that non-profit organizations have played a key role in the development of many national financial systems. We should therefore be interested in the role that TFAs play in producing transnational financialization. Similarly, Froud *et al.* (2006: 69), discussing the impact of financialization on corporate strategy and governance from a cultural political economy perspective that is compatible with our own, argue that "financialization is not anchored in some behavioural fundamental of firms or households," nor is it "a mechanical, relational concept of the economy whose supposedly productive logic has been overlaid by finance to establish a new epoch." They argue that it is instead a rhetorical construction, including, for instance, advocacy of a focus on shareholder value, which promotes and interacts with other practices, rhetoric, data and objects, often unpredictably. In other words, financialization is not automatic, but has to be produced. In this chapter we explore the contribution our theoretical emphasis on assemblages, functionality and power can make to understanding the role of TFAs in producing financialization.

Assemblages, functionality, power, and the role of TFAs in the transnational expansion of finance

In this section we identify conceptually the ways that TFAs may be relevant to financialization, considering the role of assemblages, functionality and power in this. Consistent with an assemblage ontology, and contrary to many scholarly and popular perceptions of markets, financialization does not just rise spontaneously without deliberate human intervention, nor does it express a single connected set of market forces. Indeed, a great many private trans-border financial flows are not carried out through markets. Markets can be defined as the exchange of a good or service in a competitive context where buyers can choose among comparable products. Often analysis focuses on the exchange itself, overlooking the contextual factors that make it possible. Where these contextual preconditions do not exist, financial transactions may be carried out through non-market mechanisms. The most common of these non-market mechanisms is the internal structure of the firm. In finance this can include, for instance, the intermediation of financial flows through the internal organizational structure of banks, or direct foreign investment carried out through the organizational structure of a non-financial multinational corporation. Another alternative to markets is informal non-market financial flows facilitated by close personal relations, such as cross-border remittances between family members (Safri and Graham 2010), or illicit crime-related flows. These also play a surprisingly large role in global finance, even as they make use of more formal institutions such as banks.

These types of complexity in global finance are consistent with the assemblage ontology that informs this book. Financial flows do not simply involve market exchanges, but rather they involve a very wide variety of formal and informal institutions linked to one another in complex ways. Markets do not just magically appear, but rather they are constructed by humans and objects that interact in ways that make market transactions possible. Non-market institutions may be enrolled by those engaged in market transactions, and vice-versa. As Callon (1998) has argued, a market transaction requires a disentanglement of the object of the transaction from various previous ties it might have, a set of mechanisms for measuring the properties of the object of the transaction and alternatives to it, and a framing of the transaction itself to keep it focused on a manageable set of actors and relationships. However, these preconditions of the transaction involve other ties, and the market transaction can involve externalities that are not considered by the parties to it (Callon 1998).

Where markets do work, institutions are needed before, during and after a market transaction. The challenges that institutions need to address include the costs of obtaining information about the product and the parties involved; the costs of bargaining and making decisions; and the costs of implementing and enforcing agreements (Hodgson 1988: 180). These three broad categories involve many more specific preconditions for market transaction. Property rights must be defined and enforced. The type of object in the transaction must be sufficiently standardized so that meaningful competition between instances of it can occur. The object's qualities must be made visible and credible or in some other way be verified. Information about price expectations must be conveyed to reduce the uncertainty associated with negotiations. Buyers and sellers must be able to locate one another. Products must be delivered. These are all various functions that competitive firms themselves are often poorly suited to supplying. At the same time, they are too complex to be provided by a single government agency.

The disaggregated way that these functions are carried out, often with the crucial assistance of TFAs, reflects the relationship between assemblages and functionality that we have set out in previous chapters. These institutions may be provided by states, firms, informal interpersonal ties, or associations. For instance, property rights are typically provided by states, but associations can define them in important ways, such as when a TFA's model contract specifies what is included or not in a transaction. Price expectations may be supported by firms, associations, or government statistical agencies that report on them. Communication between buyers and sellers may be enhanced by personal relationships, or by an association's website. All these types of institutions may support market transactions but also substitute for them or displace them, such as when knowledge is distributed free by associations to their members rather than being exchanged for money, or when litigation results in a monetary penalty as compensation for a problem with an earlier transaction.

These complex interactions between assemblages and functionality also involve the exercise of power. TFAs may play a key role in this, but their power is not primarily dependent on the resources they possess independently, but rather the way that they can enroll other actors and objects, or provide key nodal links in a chain of activities. This *power over* and *power to* can be wielded by financial actors against other financial or non-financial actors. However, non-financial actors, especially public authorities, can also use the capacities that TFAs can mobilize in order to advance their goals. Moreover, the power associated with TFAs is far from guaranteed: projects can languish and TFAs themselves can fail.

In the next section we examine more empirically the market-making roles of TFAs. In the concluding section of the chapter we return to the conceptual points about TFAs and financialization that we have begun discussing above.

TFAs and market making

When scanning over the very varied roles that TFAs play, five recurrent overlapping types of market-making activities are evident. These are: 1

payments, clearance and settlement; 2 producing other technical information or systems that by enhancing coordination and efficiency are market-enabling; 3 helping to establish the reputations of financial actors through certifications or codes of conduct; 4 market promoting advocacy that is smaller or more focused than that of the top TFAs discussed in Chapter 3; and 5 allowing smaller or more local firms to band together to compete at a global level with larger transnational firms. These categories overlap, and most TFAs engage in activities belonging to more than one. Nevertheless, it is useful to consider each in turn, providing examples of TFAs that exemplify the functionality that the category involves. These examples draw on an extensive review of the relatively complete set of TFAs that we identified, as discussed in Chapter 1, with some additional examples that were established after our initial construction of that set. The first category—payments, settlement and clearance—is particularly illustrative of the complex contributions of TFAs to market-making, and we devote more attention to it accordingly.

Payments, clearance and settlement

Often our daily awareness of global finance is especially shaped by transactions that appear to be almost instantaneous, such as swiping a credit card in a foreign country to pay for a purchase, or hearing a news report about high-frequency traders exchanging securities in nano-seconds. However, these "front-stage" activities (of which "front-office" activities are a subset) are only made possible by a vast array of back-stage operations, in which associations have played important roles.[2] This includes payments and settlements systems: when a commitment is made to pay for a purchase or to trade a security there are sequences of steps that must be taken for these commitments to be implemented and finalized. When these back-stage systems malfunction they threaten the front-stage activities.

Three episodes in US financial history illustrate this problem. In the early 20th century checking was growing in popularity, but the steps for implementing the payment that followed the writing of a check lagged behind. Banks were trying to impose costs on their competitors and promote their own networks of correspondent banks, leading to great inefficiencies as banks cleared checks circuitously to avoid charges. This ended once the newly established US Federal Reserve began offering check clearing services and pressured banks to use them (Constantine *et al.* 2005: 148). In the next episode, in the late 1960s, there were about 33 different paper documents involved in each share trade, including paper stock certificates which needed to be transferred between owners. Bicycle messengers delivered many of these. With up to 12 million shares traded a day, markets were unable to keep up and losses related to delivery and paperwork failures reached US$4 billion and contributed to the failure of many broker-dealers (Wolkoff and Werner 2010: 318). In the third episode, problems in the clearance and settlement of derivatives were a major factor in the 2007–08 crisis, when firms could not assess the financial health of their counterparties, the ability of those counterparties to honor the insurance-like protection they had sold, or even whether firms going bankrupt would be able to return collateral backing up larger commitments. All these operational problems severely disrupted interactions in the markets and contributed to the commitment of the Group of Twenty (G20) to start moving derivatives onto central counterparties.

The networks that are needed to solve these types of problems share certain well-recognized distinctive features. First, the more participants there are in the network, the greater the value of the network to all participants. For instance, a system that can route payments to anyone is more attractive than one that only works with part of the market. Second, if any one firm or group of firms controlled the network there is a risk that they would use that control to exploit other users. This could occur by excluding them from the network or accessing information those users reveal as a condition of participating in the network. Exiting and setting up a competitive network, given the advantages of larger networks, may be difficult. Third, back-stage operational routines appear to be some distance from the activity that generates profit and thus there is an incentive for traders and others engaged in front-stage activities to ignore or conceal operational problems, particularly when their competitors are doing this as well. Fourth, the routines that are needed are highly technical and change constantly as technology evolves, which are then seen as setting limits on the ability of public authorities or any individual firm to provide them.

Taken together these tendencies of these types of networks have meant that associations have often been the vehicle by which they have been provided. In the US, check clearing houses have usually been run by associations.[3] The American Bankers Association administers the system of routing numbers on checks. When electronic payments were established as an alternative to paper checks in the early 1970s the clearing was organized by the user-controlled National Automated Clearing House Association (NACHA), which subsequently was also known as the Electronic Payments Association. It would set the rules for the US automated clearing house (ACH) systems (O'Keefe 1994: 108). The New York Clearing House Association (NYCHA), also an association of banks, played a prominent role in the evolution of US payments, including creating the large-value Clearing House Interbank Payments System and the Electronic Payments Network. In 1998 the NYCHA was transformed from an association into a set of linked corporations.[4] Until MasterCard and Visa became publicly traded corporations in 2006 and 2008, respectively, they were bank-owned associations organized as joint ventures with international participation (Levitin 2008: 1327). Not all payments are organized by associations: the US Federal Reserve plays a key role by issuing banknotes, providing rules and having its own payments systems, such as Fedwire. NACHA sponsors a Global Payments Forum which in 2011 included 42 members and helps promote interoperability among national payments systems. This interoperability project was further advanced with the creation of the International Payments Framework Association (IPFA) in 2010.[5]

Clearance and settlement in securities markets have displayed similar reliance on associations. Historically US stock exchanges, which were self-regulating associations, also owned clearing houses. For instance in 1975 the clearing houses owned by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers cleared 85% of US shares (Wolkoff and Werner 2010: 316). Eventually, with the support of the Securities Industry Association and in response to the back-stage problems noted previously, these were transformed into the National Securities Clearing Corporation and the Depository Trust Company, which were legally integrated in 1999 and today operate as subsidiaries of the Depository Trust and Clearing Corporation (DTCC).[6] DTCC is managed by NYSE Euronext, the industry-run Financial Industry Regulatory Authority, and other financial institutions that use its services, settling $1.48 quadrillion in securities worldwide in 2009.[7] The Options Clearing Corporation (OCC) is the world's largest options clearing house and is owned by the exchanges that use it, with its member firms also having representation on its Board.[8]

There are a great many similar key payment and settlement roles played by associations outside the US. For instance, in the EU the effort to create a Single Euro Payments Area (SEPA) has been boosted by the regulatory and policy initiatives of public authorities, but mainly is being organized by the private-sector European Payments Council, representing the major European banking associations. National automated clearing houses will be required to integrate into a Pan-European Automated Clearing House (PEACH).[9] The Society for Worldwide Interbank Financial Telecommunication (SWIFT), established in 1973 in Brussels, has become a worldwide cooperative owned by its member shareholders. By July 2011 SWIFT was handling roughly 17 million standardized financial messages related to payments daily.[10] LCH. Clearnet was created by a 2003 merger of the London Clearing House and Clearnet SA. For most of their histories those two older organizations, in turn, were controlled by banks or other members in London and Paris, respectively.[11] Eurex, another leading clearing house, was created in 1996 by the Swiss Exchange and the Deutsche Börse and German exchanges. In most countries associations play an important role in clearance and settlement, working with the central bank and for-profit corporations. For instance, in Brazil CIP, the Interbank Clearinghouse, is a non-profit association owned by the domestic banks.[12]

Clearing houses are also increasingly linked to one another through associations. The Securities Market Practice Group (SMPG) was created in 1998 to integrate the processing of securities trades, drawing on International Organizations for Standardization (ISO) standards, and in 2011 it involved more than 30 countries.[13] The International Securities Market Advisory Group was established in 2007 to bring together various stakeholders with the goal of increasing standardization and efficiency in the operations of two EU-based securities depositories, Clearstream and Euroclear.[14] Various securities clearance and settlement stakeholders from different countries also share information through the International Securities Services Association.[15] Establishing linkages between diverse national systems is far from automatic or harmonious. For instance, in the EU obstacles to interoperability and integration spurred the European Central Bank to initiate the TARGET2-Securities project, a platform to encourage national central securities to collaborate, an initiative that provoked sharp debate among those involved or affected, some of whom were concerned that the changes would benefit larger or more transnational actors at the expense of national ones.[16]

The preceding paragraphs only hint at the enormously complex arrangements that together constitute the world's clearing and settlement systems, which fit well with an assemblage ontology. The evolution of these arrangements was not orchestrated from any single state or other location, nor was it an automatic expression of market forces or deep social structures. Rather these arrangements have grown piecemeal, reaching out over time across longer distances and more borders, at times competing, cooperating or merging with one another. Moreover the associations do not work as autonomous stand-alone actors, but rather they produce and extend their influence by enrolling vast numbers of other actors, objects, and networks. This includes computer systems, rule books, member firms, other payment and settlement systems, central banks, and financial instruments. The transnational and associational character of payments and settlement systems can mutate over time, as national systems extend across borders or as associations transform themselves into corporate structures. The systems involve an intermingling of materiality and ideas, such as procedures embedded in computer systems or coded routing systems embedded on checks. They also involve a mix of market and non-market interactions, with the latter enabling the former.

Producing technical information or systems that by enhancing coordination and efficiency is market-enabling

TFAs also produce a great variety of information that is market-enabling in ways that go beyond the payment, clearance and settlement systems we have discussed so far. They may share the same network characteristics discussed above that contribute to associations taking a leading role rather than states or individual firms. In some cases this involves numerical systems that facilitate coordination of activities at the heart of the global financial system. For instance, the Association of Number Agencies (ANNA) has been given authority by the ISO to manage and promote numbering and classification systems for financial instruments. In the overnight borrowing markets the Wholesale Markets Brokers Association's (WMBA) 2011 launch of a Repurchase Overnight Index Average Rate (RONIA), which required much testing, data gathering and proceduralization, was seen by market participants as an important new index following the crisis because it provided a benchmark for hedging against risks for the increasing number of overnight borrowing transactions involving collateral.[17] The WMBA brings together money brokers, involved in wholesale trading of derivatives and other instruments, located in London but covering markets in more than 30 countries.[18]

Other associations create coordination-facilitating information that is specific to a subsector of the financial industry. ACORD (The Association for Cooperative Operations Research and Development), which has hundreds of members from the insurance and reinsurance industry, facilitates "the development of open consensus data standards and standard forms."[19] The International Valuation Standards Committee (IVSA), coordinating with the International Accounting Standard and other organizations, develops and promotes the harmonization of standards for valuing assets, such as appraising real estate.[20] The International Chamber of Commerce's Commission on Banking Technique and Practice specializes in developing technical rules related to trade finance, such as the Uniform Customs and Practice for Documentary Credits (UCP) (documentary credits are guarantees provided by banks on the basis of documents, such as shipping documents, rather than the trade transaction's underlying contract).[21] This work is complemented by the less prominent and less technical BAFT-IFSA, which was formed by the 2010 merger of the Bankers Association for Finance and Trade and the International Financial Services Association and is a vehicle for developing and sharing trade finance knowledge. Like many associations, the Berne Union, an association of public and private export and investment insurers that was established in 1934, provides statistics on the global value of the credits and insurance provided by their members.[22]

Often the information is crucial to the development and promotion of new practices. For instance, the International Association of Financial Executives Institutes (IAFEI), was created in 1969 to institutionalize the sharing of information about financial practices, including those used by Chief Financial Officers to contribute to the organization and management of corporations, thereby helping promote the development and dissemination of these practices around the world.[23] As discussed further in Chapter 8, ethically or religiously oriented associations, such as the International Islamic Financial Market,[24] ethical investing,[25] or the many micro-finance TFAs,[26] promote particular types of market practices by disseminating information about them, such as determining what types of financial instruments are Sharia'h compliant.

Often the perceived need to develop new practices can lead to the creation of a new association. Examples include the creation of the International Swaps and Derivatives Association (ISDA) to organize the derivatives markets, the EMTA to organize the trading of emerging market debt, as discussed in Chapter 3, or the Wolfsberg Group to organize the banks' response to money laundering and terrorist finance regulations. A similar example is the Loan Syndications and Trading Association (LSTA), formed in 1995 with the support of the EMTA to develop a set of standards to cope with the relatively unregulated 1200% growth in the secondary trading of loans between 1991 and 1999.[27]

Some major costly projects are launched by existing associations as well, leading to a new collaborative arrangement. The Financial Information Services Division (FISD) of the Software and Information Industry Association (SIIA) provides venues for financial firms, data vendors, and other software service providers to collaborate and exchange information on technical processes. This included the development of Market Data Definition Language, an extensible markup language (XML) that facilitates the electronic exchange of market data.[28] FISD also has produced an Exchange Contract Guide to facilitate contract negotiations among exchanges, vendors, and other firms by identifying issues and providing sample contract language.[29]

Helping to establish the reputations of financial actors through certifications or codes of conduct

Another important set of market-making practices of TFAs are those that help establish the reputations of financial actors through certifications or codes of conduct. For instance, the profession of financial planning has expanded greatly as the responsibility for finances has shifted to individuals from institutions such as defined benefit pension plans, but in its earlier days the profession was damaged by unqualified people selling their services as planners. The Financial Planning Standards Board (FPSB) was created to develop and manage strong standards, to offer training, and to control the awarding of the Certified Financial Planner professional certification. The FPSB originated with a US organization that encouraged foreign affiliates, and then transformed itself into a global organization (Porter 2009b). These types of activities, and others discussed in this section, do not just help construct markets through their reputational effects: they also consolidate the financial communities associated with them. The community-building aspect of the certifications and other activities discussed in this section will be analyzed in Chapter 5.

There are a great many other such reputation-enhancing activities of TFAs. The CFA Institute, for investment analysts, has over 100,000 members worldwide, and offers the Chartered Financial Analyst (CFA) and Certificate in Investment Performance Measurement (CIPM) designations. The CFA Institute sees trust in its members as informing the core of its mission, which it pursues through ethical standards and education.[30] The International Council of Investment Associations (ICIA) similarly provides a code of ethics for investment analysts, and promotes the Certified International Investment Analysts designation (CIIA®) managed by the Association of Certified International Investment Analysts (ACIIA). In contrast to the CFA Institute, which originated in the US and the members of which are individuals, the ACIIA and the ICIA are associations of national and regional associations outside the US. The Chartered Alternative Investment Analyst (CAIA) Association, which was founded by the Alternative Investment Management Association (AIMA) and the Center for International Securities and

Derivatives Markets, provides the CAIA designation tailored towards hedge funds and other alternative investments.[31] The Association of Finance and Insurance Professionals provides certifications for the auto industry, especially in dealerships, and while mostly US-based, it also has members in other countries.

Like financial planning or analysis, risk management is a skill that is highly technical but difficult for non-experts to assess, and designations address this problem. The Global Association of Risk Professionals provides a Code of Conduct and the Financial Risk Manager (FRM®) and Energy Risk Professional (ERP®) designations,[32] as does the Professional Risk Managers' International Association (PRIMA), with close to 80,000 members in 200 countries, offering the Professional Risk Manager (PRM) designation.[33] These associations focus on individual professionals, in contrast to the International Federation of Risk and Insurance Management Associations (IFRIMA), which brings associations together to share information, and the Risk Management Association (RMA), which has 2,600 institutions such as banks as members, which are then represented by 18,000 individual "RMA Associates." Neither IFRIMA nor RMA offer designations.

There are many reputation-building activities other than certifications. The International Federation of Accountants (IFAC) promotes professional standards along with its advocacy work, but accounting's association with the International Accounting Standard Board, which, as discussed in Chapter 3, sets the accounting standards themselves, is also important to accountants. ACI, the Financial Markets Association, is a professional association for dealers and back office personnel in the wholesale financial markets, with about 13,000 members in more than 60 countries.[34] In addition to providing educational examinations and qualifications targeting foreign exchange, derivatives repos, and other financial instruments, it manages a detailed Model Code which dates back to a 1975 ACI code of conduct that sought to address the uncertainty in foreign exchange markets following the collapse of the Bretton Woods monetary system.[35] The guidelines covered by the Model Code address a variety of issues, including drug use, gifts, rumors, use of mobile devices for transacting, and the meaning of words, such as "done," signifying that the deal is agreed as proposed.[36] The Association of Chartered Certified Accountants has 147,000 members and 424,000 students in over 170 countries and provides qualifications and career preparation.[37] LIC – The League International for Creditors, founded in 1962, maintains a code of ethics and set of rules for export-related debt collection.[38]

Bridging national or other differences can often make difficult the development of robust detailed standards. An example is the International Actuarial Association (IAA), a global association of associations. The roots of the IAA extend back to the 1895 Congress of Actuaries in Belgium founded in 1895. The association was reorganized in 1998. Following that reorganization it worked with its member associations to promote the profession through education, certification, a code of conduct, and disciplinary procedures, with particular attention to the development of the profession in emerging markets. One might expect actuaries to find standardization particularly easy given their reliance on universal mathematical models. Nevertheless considerable variation across national jurisdictions remains: “Most actuarial associations have governance arrangements wedded to heritage and tradition, or otherwise defined by a higher authority. These are slow to change, and embracing an international view represents a major change.”[39] Accordingly the IAA’s goal is not full harmonization.

The reputation-enhancing activities of TFAs may not necessarily involve public certifications or codes of conduct, but instead may work behind the scenes to deter market-damaging activities. An example is the Intermarket Surveillance Group (ISG), which brings member exchanges together to share information on fraud and other market abuses. The ISG began in 1981 as a US organization, but by 2011 had 50 member institutions, with about half from outside the US.[40] A strict condition of membership is the exchange’s capacity to share information. Illegal activities are reported to the relevant public authorities (Dodsworth 2010). The ISG is useful both for detecting abuses that extend across more than one market, and for sharing experiences. The ISG works against the type of market abuses that can damage the reputation of markets, and demands that its members comply with certain information-sharing expectations, but without a prominent public profile.

Market-promoting advocacy that is smaller or more focused than that of the top TFAs

In Chapter 3 we focused on the interactions between top TFAs and regulators, but these types of advocacy and self-regulatory activities are common across the smaller TFAs as well. By producing market-friendly rules these activities play an important role in the production of global markets. For example, among its many activities, including promoting standards and providing training, the Futures and Options Association engages in lobbying, including help from the European Parliamentary Financial Services Forum in Brussels to facilitate the exchange of information between the industry and EU parliamentarians.[41] The IAA’s Committee on Insurance Regulation and Solvency Subcommittee interacts with the IAIS. The International Credit Insurance & Surety Association (ICISA) especially focuses on regulatory and policy issues related to trade credit insurance.[42] The International Project Finance Association (IPFA) promotes the interests of public and private organizations involved in project finance and public-private partnerships.[43] IBFed, the International Banking Federation, was founded initially by the bankers’ associations from the US, Australia, Canada and Europe, later adding the Japanese Bankers Association as a founding member, and associations from China, India, Korea, Russia and South Africa as associate members.[44] It provides a more specific perspective on regulatory issues than does the IIF with its more universal and less nationally organized membership.

Some associations focus on advocacy related to the international firms operating in a particular financial center. The Institute of International Bankers, founded in 1966, promotes the interests in the US of banks with headquarters outside the US that are operating in the US, taking on both US rules such as the Dodd-Frank Act, and global rules, such as the Basel Capital Accord.[45] Similarly, the International Underwriting Association, which bills itself as "the world's largest representative organisation for international and wholesale insurance and reinsurance companies," restricts its mission and membership to companies operating in or through London.[46] The London & International Insurance Brokers' Association (LIIBA) engages in advocacy at the UK, EU and global levels with the aim of promoting London as an insurance market.[47]

Advocacy efforts can be aimed at private bodies as well. For instance, in 1995 the International Association of Financial Executives Institutes (IAFEI) became one of 16 voting members of the International Accounting Standards Committee (IASC) and played a significant role in its transformation into the International Accounting Standards Board (IASB). Previously conflicts within the IAFEI over the merits of harmonizing accounting standards had constrained its involvement with the IASC.[48]

Allowing smaller or more local firms to band together to compete at a global level with larger transnational firms

Another prominent market-making function of TFAs is to allow smaller or more local firms to band together to compete at a global level with larger transnational firms. This non-market relation among member firms produces markets by allowing the member firms to participate in global markets, and by contributing to the competitive character of those markets. Examples include London-based Accountants Global Network (AGN), which as of 2011 had 197 member firms in 89 countries. As the AGN brochure states, "Integration into a 'borderless' economy involves not simply multinational corporations, but small and mid-size firms worldwide."[49] AGN provides professional knowledge, networking opportunities, and reputational benefits to its members. Similarly CPA Associates International, founded in 1957, states that "our organized network provides members with the capabilities of the largest accounting firm, yet allows them to maintain their local practice and avoid costly overhead and unnecessary controls."[50] It limits membership to one firm per market area, preventing competition among members. Polaris International, founded in 1978, is a very similar international association of accounting firms, with 200 members in 90 countries. It is organized by region.[51] Yet another example is JHI, a "global affiliation of accountants and business advisors" with nearly 120 members in over 55 countries.[52] The International Network of M&A Partners, formed in 1971, by 2011 brought together 38 firms from 29 countries and had increased its level of integration from its earlier network form to operate in many respects as a single corporation, ranking sixth in the world in the "middle" M&A market (transactions under US$100 million).[53] As discussed further in Chapter 7, many associations assist firms in particular regions of the developing world to compete more effectively at the global level, as with the Federation of Afro-Asian Insurers and Reinsurers (FAIR), established 1964, and with 194 members as of 2011.[54] For instance, the FAIR Oil and Energy Underwriters Forum helps local insurers to work together to master the massive risks, technical knowledge, and costs associated with underwriting oil and other energy projects in their regions.

Comprehensiveness and failure

Although the above sections have focused on one category at a time, it should be apparent that these are interconnected. There are numerous examples of TFAs that are active in multiple categories. It is useful to consider a particularly good example of how TFAs can contribute to market making in a comprehensive way that is provided by one of the oldest market-making associations in global finance: Lloyd's of London. Lloyd's dates back to collaboration among insurers in Edward Lloyd's coffee house in 1688. In 1771 the leadership of a single owner was replaced by a collaborative venture involving 79 insurance stakeholders. Maritime and other risks were insured by dividing up the underwriting among the independent members of Lloyd's, facilitated by Lloyd's self-regulatory and information-gathering mechanisms. After serious financial problems in the 20th century, connected to problems in its risk management and governance capacities, Lloyd's shifted towards a more corporate structure, and beginning in 1998, was subject to regulation by the public-sector Financial Services Authority. Lloyd's notes that "unlike many other insurance brands, Lloyd's is not a company; it's a market where our members join together as syndicates to insure risks."[55] It includes the Lloyd's Market, which involves more than 50 managing agent companies and 80 syndicates, and the Corporation of Lloyd's, which oversees the market. Lloyd's accepts business from 200 other countries, with only 20% originating in the UK.[56]

Not all associations' projects succeed. For example, the ETMA's efforts to create a clearing house for the trading of emerging market debt failed after much effort was devoted to it, in large part because it was seen by potential stakeholders as too costly for the potential benefits it would bring. Similarly, the Global Straight Through Processing Association was formed in 1998 with the goal of developing direct multilateral connections among participants to facilitate the processing of securities trades, but it was abandoned in 2002.[57] The World Automated Transaction Clearing House (WATCH) that it sponsored was put on hold. Cost and the difficulty of agreeing on a compliance deadline were factors in this failure. The members of the International Insurance Council voted in 2002 to dissolve it, ostensibly because its goals of liberalizing trade in insurance had been accomplished,[58] although liberalization of trade continues to be one of the key issues of the World Federation of Insurance Intermediaries.[59]

Analysis and conclusion

The previous sections have highlighted the great variety of market-making activities that TFAs are central to organizing. Often these are very technical, detailed contributions in contrast to the very large-scale efforts of top TFAs to shape global finance that were discussed in Chapter 3. Nevertheless they can be crucial to the operation of large swathes of global finance. When they fail, as did the back-stage derivatives processes that contributed to the 2007–08 crisis, the effects can be severe.

It is useful to consider the activities discussed in the previous section with regard to this book's three main themes, our assemblage ontology, functionality, and power. This helps better understand the character and significance of TFAs. We consider each of these three in turn.

The complexity of the market-making activities of TFAs fits well with our assemblage ontology. As noted previously, the diversity and decentralized character of these activities works against approaches that see the process of financialization being driven by a single unified force. There are innumerable connections among TFAs and their projects, but these are not orchestrated by a few dominant global associations or other actors. Often they result from one more nationally focused association beginning to reach out more across its national borders. Or a small group of individuals or firms involved in a new area of transnational activity may decide that their work would be facilitated by the creation of a new association. Sometimes well-established firms realize that their activities overlap or are complementary and that further collaboration would be useful, perhaps by creating a new association, or even by merging with one another. All these initiatives are far from automatic. They often require painstaking and highly technical work involving recalcitrant humans and non-human objects, and they can fail.

The relevance of the assemblage ontology is evident not just from the interactions among associations or their members, but also from the relationship of associations to other actors and institutions. The relationship between associations and firms is especially complex and mutable. Often associations transform themselves into a corporate legal form in order to gain further precision, complexity or capacity in their operations. This can be when the operations become more costly, or involve the management of larger sums of money, requiring more legal accountability, perhaps including seeking financing in capital markets. When an association becomes a corporation legally it does not mean that it is suddenly an entirely different thing. Rather, consistent with an assemblage ontology, it adds a new element that alters the character of the enterprise while leaving some aspects of it to function as before. Similarly the functions carried out by associations are often also carried out by firms that were always only firms, either in coordination with an association or not. These activities of firms may be enrolled or complemented by the association. Market activities are heavily dependent on non-market activities, whether these are the internal structures and practices of firms, the interpersonal interactions of association members, or the activities of public authorities, as with SEPA's relationship to the EU.

While an assemblage ontology captures well the disaggregation, complex interactions, and contingent character of the production and expansion of global financial markets, it is important to consider the role of functionality as well. In earlier chapters we distinguished between functional differentiation and organizational functionality. The former refers to the tendency for organizational fields to create more autonomous and specialized subsystems or other units in order to cope with complexity and change. The latter refers to the way in which the organizational character of enterprises reflects a goal that their participants see as defining them.

The diversity of TFAs' market-making activities is not entirely random, nor are these activities solely expressions of an undifferentiated pursuit of power. Instead, they are heavily shaped by functionality. This is evident, for instance, with payments, clearance and settlements, which are strongly constrained by certain technical requirements and needs for functionally autonomous specialized subsystems. For instance, the ACORD data standards or the Market Data Definition Language simply would fail to work for users if those users did not comply with their specifications. Certifications would not achieve their intended effect, nor would financial actors pay to obtain them if they did not involve tested mastery of technically demanding and market-relevant material. Designations such as the CFA are talked about, compared, and respected by those who are struggling to obtain them, or have them already.

The creation of new associations in functionally new areas, or the merger of associations that duplicate one another in a single functional area, are also indications of the relevance of functionality. In some cases, such as certifications or networks of accountancy firms, there is competition among multiple similar associations, even as they may strive to differentiate themselves by function to alleviate these competitive pressures. In other cases, such as creating technical rules for trade finance, insurance, or data exchange, the technical characteristics of networks that were described above tend to encourage the dominance of one association. These differences are examples of the role of functionality.

It should be clear, however, that functionality is not a deep systemic imperative operating independently of power. The technical initiatives discussed in the previous section could have been constructed differently. This includes the most micro-level choices, such as how to define a particular term in a code of conduct or data standard, to more macro-level decisions, such as the WMBA's initiative in developing and launching a new index. Standardization is required if machines are to communicate with one another, but the decision to have this communication and the character of the standardization is not predetermined. The same applies for the path dependence that develops when particular practices become established over a long time and many markets. Changing them can appear impossible, even if there is a strong element of chance and discretion in how they were developed initially.

The TFA activities that this chapter has examined involve both *power to* and *power over*. The former is evident in the way in which TFAs can create entirely new types of activities that give them or their stakeholders new capacities without necessarily directly diminishing the power of other actors. The enhanced abilities to manage risks that are provided by clearing houses, trade credit documentation, or new insurance practices are examples. These capacities can be entirely new, or they can be extended for the first time to a region or group of actors where they were not previously available, as with the goal of FAIR's role in insurance. These capacities can operate simultaneously at multiple scales. For instance, when an automated payment is made across a border for the first time it involves new powers at the level of the specific coding that enables the payment, the payments system of which it is part, the association that sponsored the payment system, and the globalization of finance as a whole.

At the same time all the TFAs' accomplishments in making markets also involve *power over*, and often this type of power is more evident than *power to*, although which is the case in any particular instance can always be the subject of interpretive disputes. For instance, simply by establishing a linkage that did not previously exist a cross-border automated payment system can empower that type of transaction relative to others. Those others could include a national check-clearing system, or more personalized informal transfers such as are often used to transmit remittances from emigrants to families in their home countries. More generally, the successful creation of new financial markets can contribute to the pathologies that have always accompanied such markets, such as the tendency of financial values to displace other values or the tendency of risks to be arbitrarily displaced from those who create and benefit from them to non-financial actors such as the state, other industries, or citizens.

Associations often display more focused power struggles as well. Associations may compete aggressively with each other to dominate particular markets. This can overlap with conflicts between political authorities. For instance, the expansion of the US-based DTCC into Europe has provoked reactions not just from European clearing houses but from EU policymakers as well.[60] The competition between the CFA and CIIA designations reflects in part their respective US and European origins. Associations that control networks may use non-market means to promote their interests at the expense of competitors. For instance, Visa's and MasterCard's exploitation of their control of credit card payments in the US severely restricted the development of competing debit cards, shifted costs onto merchants, and ultimately led to an historically unprecedented anti-trust settlement of over $3 billion (Levitin 2007: 460; Constantine *et al.* 2005). One critic of BAFT claimed that "the organisation is at best a lobby for the so-called 'Big-12' Trade Finance banks.

Until it recognises that these banks are skimming their smaller counterparts in emerging markets, it is just another useless club."[61] At the same time associations can help small actors work together against the dominance of larger actors, as with the accounting associations discussed above. Associations with members that hold one another to higher standards than other actors in the market can seek to use non-market forms of power to counter this competitive threat, as with the World Federation of Exchanges' (WFE) efforts to convey its concerns to public authorities about free riding by less regulated, non-member exchanges (McKeen-Edwards 2009: 498).

The previous section has also discussed the way that associations seek to wield power to alter the way that their members are regulated by public authorities. However, this is not a one-way street: public authorities also can seek to enroll, or even conscript TFAs in their programs. A particularly conflictual example of this was the use by US authorities seeking to track terrorist financing of the presence of a SWIFT server in the US to get access to the massive worldwide volumes of communications that the European-headquartered TFA carries. This provoked a political backlash from the EU, and a subsequent US-EU agreement removed the server, severely restricted US access to the data, and secured US commitments to safeguard data privacy (Crook 2010). Nevertheless, some use of SWIFT data by the US government for its anti-terrorist program was permitted.

The effort of public authorities to move derivatives onto exchanges and central counterparties is another example. This has been met with some resistance by the large banks that heavily dominate derivatives trading, and critics have argued that those banks have dominated the market by preventing transparency (Litan 2010), while others have pointed to evidence suggesting that banks may be able to abuse their control of CCPs to exclude competitors.[62] More generally, the organizational capacity that associations create, and the integration of some aspects of their operations with regulation, law, or other public-sector capacities, can provide important levers for public authorities in their efforts to control global finance, but can also help the industry capture and dominate regulatory processes.

In sum, this chapter has explored the many ways that TFAs help make markets and promote financialization. In doing this they are not orchestrated by a unified dominant force, but rather display the more disaggregated properties of assemblages. The elements and activities of these assemblages are not random, however: they are shaped by functionalities that are constructed, but nevertheless constrain the work of TFAs. The production and exercise of power is present throughout the work of TFAs, creating new capacities that are often deployed in ways that empower one set of financial actors at the expense of others.

5 TFAs and the production of financial communities

Having looked at the roles of TFAs in the global public sphere (Chapter 3) and the financial marketplace (Chapter 4), we can now turn our attention to the mutually constitutive relationships that occur between TFAs and their members. On one hand, the formal properties of associations can be seen as an expression of the collective expectations of their members (Schmitter and Streeck 1999). In this vein TFA functions and organizational structure can be understood as a result of their members' self-defined interests mediated by the constraints of the larger institutional environment. On the other hand, once an activity or function has been developed, it also serves to reinforce particular boundaries and identities among the membership. Just as some practices of TFAs can serve to further financialization through their effect on market features, others can affect the financial system through the processes of socializing or harmonizing financial actors. This duality creates a complex relationship between TFAs, their members and global finance more broadly.

One can see these activities as implicitly, and in some cases explicitly, working to create or reinforce a sense of community. If we consider finance as assemblages that link a variety of practices, actors and discourses together, taking the impact of community into account is essential to understanding it. The building of communities is closely related to our definition of functionality as the constraint that the pursuit of a particular purpose imposes on a set of actors and objects, as discussed in Chapter 2. Financial communities help produce and empower financial actors but also formulate purposes that may be achieved by integrating the capacities of humans and objects in particular ways. A community involves the mutual sharing of cognitive and value schemes "which are translated into common expertise, shared interests and projects" (Ramirez 2010: 177). It is an important institutionalization of the interactions that occur in the practices and governance of finance. In general, however, there is a relative lack of attention paid to the various financial communities that exist in international finance. Some of this inconsistency in engagement can be related to the use of unified dominance approaches. On one hand, explanations that focus on financialization and the power of markets tend to present finance as a collection of autonomous and independent actors. On the other, explanations that focus on the will of states tend to highlight communities of state regulators as central to any understanding rather than financial sector actors. In both cases, the notion of communities of financial sector actors is not very prominent in the explanation. Approaches that emphasize the structural power of capital can have a notion of community incorporated into their analysis—the significantly more unified notion of community as a manifestation of the transnational capitalist class. Yet, when we examine the financial sector through its practices, it is clear that there are actually multiple overlapping communities active in global finance.

Over the course of the chapter, we will see how TFAs are important in the creation and continuation of different financial communities. Furthermore, we will see that the three theoretical themes that have been drawn out throughout the book so far also provide insight into understanding these roles. The relationships between TFAs and their members result in practices that create boundaries and influence identities in different assemblages by enrolling a variety of additional autonomous actors, like other financial associations and educational bodies, and draw on both human and non-human objects. These roles are also influenced by a combination of functionality and power. The activities undertaken and products created by each TFA highlight the impact of functional differentiation and organizational functionality through the specialization across associations and variations in TFA organizational structures. Yet, they also create and utilize power as they often serve strategic purposes for the association. The resulting programs and products also produce a mixture of *power to* and *power over* members within the emergent community.

In order to capture this range of effects, the rest of this chapter will examine this multidimensional relationship between members and TFAs by looking at both the conceptual and empirical implications of their activities. First, we will focus on elaborating the different conceptual frameworks and concepts that can contribute to understanding association-member relations and how these can impact finance. We will look at how these associations adapt their activities to respond to member interests before also examining the constitutive power that TFA activities can have on those same members through boundary definition, self-governance practices and identity building. Following this discussion, our attention will shift to examining the various activities and programs that TFAs currently undertake and how they relate to the conceptual discussion. We will conclude by reflecting on how these practices fit within the broader themes of assemblage, functionality and power.

Association roles as a response to member interests

Transnational financial associations, like other business and professional associations that rely on voluntarily participation, tend to organize at least some of their practices and activities to fulfill the interests of their membership. In essence associations must still offer their members sufficient incentives to retain their membership and obtain adequate resources to ensure its survival, or preferably growth (Schmitter and Streeck 1999). This argument fits broadly with general understandings of collective action that a potential member will not be inclined to join an association that does not provide an additional benefit beyond what could achieved on their own or with another organization. Therefore, associations have a strong incentive to meet a member's expectations regarding their "value added," be it through better "services," increased advocacy presence, particular market building tools, etc.

The importance of member interests in the functions and organization of TFAs is more thoroughly developed in the notion of the "logic of membership." This concept emerges out of a framework developed by Philippe C. Schmitter and Wolfgang Streeck (1999) to understand the role and actions of business associations at the national level. As briefly discussed in Chapter 2, this approach argues that the mix of activities that any association can undertake is constrained and/or encouraged by two competing simultaneous influences: the "logic of influence" and the "the logic of membership."[1] The former of these two logics involves advocacy, such as was the focus of Chapter 3. Particularly relevant to the present chapter is the latter of these two logics, which "is governed by the values and interest perceptions of the groups and individuals that an association undertakes to represent, and in particular by both the sense of collective identity and the 'rationality traps' that emerge" (Streeck 1989: 59).[2] In essence, the logic of membership explains why firms choose to participate in collective action in the first place. In turn, this logic also has a direct impact on what sort of organization will be formed and what roles that association will undertake.[3]

According to Schmitter and Streeck (1999), these efforts to fulfill the logic of membership result in combination of two different types of goods/roles. First, an association may choose to provide "services to members" which include advisory and consulting services, discounts with suppliers, memberships discounts to join other organizations, access to business/legal services, access to public affairs consultants on preferential terms, training, and access to discounts on other products and services. From a public choice perspective one can see persuasive reasons why an association may choose to provide these types of services to its members. They serve as both "selective goods which will attract members to join and as functional tasks whose performance can be expected to expand professional staff, cover some fixed overhead costs and, at least in some cases, generate a profit for associational coffers" (Schmitter and Streeck 1999). However, it is not surprising that an association that focuses exclusively on providing services can become more like a business, where there is no attempt to create consensus among members.

Second, associations can also take on functions that focus on allowing coordination and participation opportunities for their members, i.e. solidaristic goods. In this role, associations attempt to build a sense of community, voice and participation among their membership, utilizing events and technologies like information updates, newsletters, conferences, member meetings, social events, web forums, and others. In the process they seek to provide more abstract types of goods to their members, such as "sociability, participation in collective activities, prestige, 'connections,' formation of collective identity and the like" (Schmitter and Streeck 1999: 86). Interestingly, even our least developed TFAs provide some aspect of these goods through an annual general meeting. As the organizational structure of the TFA grows in complexity it begins to offer more complicated forms of coordinative and selective services.

There is obviously overlap between these two different goods that associations can provide their members. Back in Chapter 1, the tendency of TFAs to undertake a combination of advocacy, self-regulatory, training and research roles was clear. This fits with the generalized belief that the majority of associations actively engage in combinations of activities that are driven by both the logic of membership and the logic of influence. Bennett reinforces this claim asserting that associations need to provide individual services as necessary complements to more collective activities like representation (Bennett 2000). He advocates that associations provide a bundling of individual services (like consultancy and workforce or management training), collective services (including both excludable services like group insurance, purchasing or marketing and non-excludable services like lobbying or information dissemination) and self-regulation (Bennett and Robson 2001).

There are real incentives for an association to meet the collective interests of its members. If an association were not effectively fulfilling the goals of its members and did not take steps to properly address this disconnect, it would undergo at a minimum a membership decline, and at the worst dissolution. This very practical and functional motivation for TFAs to undertake certain roles is not something that can be ignored. As we will see below, however, this conception of relationship between members and TFAs does not capture the full complexity of their interactions.

Association roles as constraining and constructing their members

The previous conceptualization of association-member relationships above inherently draws a rationalist (and arguably largely a one-way) path of influence of member interests driving the association's activities. In turn, there is little direct attention paid to the many ways that association projects may alter or reconstitute the identities and practices of the members. Yet in examining these service or coordination activities through an assemblage approach, one can also see how many of these activities are more mutually constitutive. Some activities (particularly training and self-regulatory initiatives) are explicitly seeking to socialize their members. Others, like information dissemination and member networking, can have constitutive influence in a more indirect way. This means that while association activities meet members' expectations about their interests, many can also serve to implicitly or explicitly construct boundaries for and identities within their membership and the financial assemblage more broadly.

Patterns of interaction within communities are driven by shared meanings that establish boundaries, define membership and lay out the "appropriate" ways of behaving (Greenwood *et al.* 2002). These often occur through more explicit member-focused programs, like training and certifications, as well as projects that can also be intended to serve market building or advocacy functions as well. Theoretically, we argue that there are three general community-building functions that TFA can perform: boundary definition and reinforcement, private governance, and socialization of best practices and community identities. We first discuss each conceptually, and then discuss their empirical relevance in the TFAs that we have studied.

Reinforcing or establishing boundaries of the community

Boundary identification, or more accurately boundary construction, is a performative process that is supported in the actions of many associations. Even in porous communities it is an essential part of community development to identify members from non-members. Some scholars examining professions, like accounting, have discussed the socially constructed nature of boundary construction. As Abbott highlights, "To say a profession exists is to make one" (Abbott 1988: 81). Yet they also note that the process is not quite as simple as making a declaration.[4] Building an accepted profession or area of financial activity in the system requires a collection of generally accepted practices and identities. Shared systems of meaning are important to creating boundaries, defining membership and appropriate roles, as well the communities' relationships with the other external communities and actors (Lawrence 1999). We also know that this identity and boundary-defining process does not occur in isolation from other financial assemblages. Therefore the processes of boundary representation draw on both social construction and social negotiation (Abbott 1988; Evetts 1995; Greenwood *et al.* 2002).

We can extend these insights across the financial services as members of all parts of the financial services are concerned with determining their place and role in the financial system. In some cases a TFA may largely reinforce a set of identities and activities that are accepted within the broader financial assemblages. For example, comprehensive programs to gather and report market statistics by TFAs, like the one undertaken by the World Federation of Exchanges (WFE), act as a product for market building through the economic data that they provide. However, these meticulously created objects also reinforce constructed boundaries between different types of financial actors, the legitimacy of its members' activities and economic health in the financial system. Events like conferences and other real and virtual meeting spaces, allow for the interaction of members, which is an important part of developing shared systems of meaning. In other cases, TFAs have explicitly utilized information, training and networking to build, support and reinforce a relatively new field of activity in financial markets. One sees this relationship in the emergence of a risk management profession and the actions of the

Professional Risk Managers' International Association (PRMIA) and Global Association of Risk Professionals (GARP) to support that development.

Private governance: industry codes of conduct and self-regulation

In Chapter 4, the reputational reasons that an association may create and implement codes of conduct and other rules were discussed. However, once in place these rules and agreements can serve to constrain the actions of members. If they are functioning properly, they act as a deterrent for members seeking to participate in practices or activities that have been deemed unacceptable or improper. In turn, the actions of a TFA's membership will be adjusted to fall within a particular range of possibilities, while excluding other options as unacceptable.

In order to have this impact, however, self-regulatory processes must be effective. Assessing the effectiveness of self-regulatory codes is a complex and variable process. In reality, a self-regulatory organization may find it difficult to discipline industry participants that are not subject to the law of the jurisdiction in which the organization is located. However, there are two generalized trends in self-regulation that can help ensure compliance. First, the rules must be publicized and promoted. Members and other financial actors need to know of the existence and content of the rules in order for them to have positive and negative reputational affects. Second, codes of conduct are often integrated with other private rule systems, particularly membership requirements, in an attempt to give them more teeth and improve compliance rates. A general assumption is that the more truly voluntary a code is, the more variation one will see in its adoption and implementation.

The construction of identity and practices

Finally, the activities of associations toward their membership can also serve to create, alter or reinforce identities and the sense of community through processes of socialization and identity building. To understand these roles, it is worth remembering that TFAs are often an important part of the formal representation of a transnational community of actors. According to Quack, a community is when "a social aggregate is characterized by the mutual orientation of members. This mutual orientation is articulated around common—constructed or imagined identity and/or a common project" that is sustained by the engagement and involvement of at least some of the members (Djelic and Quack 2010a: 12). While this concept is often applied to groups forming around national, cultural or geographic commonalities, previous studies have also shown that communities can emerge around the process of common knowledge—like in epistemic communities (Tsingou 2010d; Unger 2006) or communities of practice (Wenger 1998). The latter are of particular interest here as the common project that unites their members is the development and possession of certain skills and roles through a process of collective learning by communication. While this notion is most commonly applied to professions, it can also be applied to people in business (Wenger 2001). Transnational communities around business have been examined in the fields of economics (Fourcade 2006), global currency markets (Knorr 2005) and business elites more generally (Carroll and Fennema 2002). Yet communities, like all social life, are not static. They require constant re-articulation through common language and practices. One way to accomplish this is through the creation of their own training programs or educational modules that seek to develop harmonized or standardized acculturation frames (Djelic and Quack 2010b).

Greenwood, Suddaby and Hinings (2002) further assert that understandings of appropriate practice that are reciprocally shared within the community permit the development of ordered exchanges over time. Once developed it is argued that the specific mutual beliefs and practices can become increasingly seen as apolitical or natural, particularly as they are reproduced again and again through processes of training, certification and routinized interaction. MacKenzie *et al.* (2007), on the other hand, remind us that the emerging "best practices" take on a similar performative role. They take on a constitutive role within the field as their adoption spreads.

Associations are one body that can take an active role in these processes through various training programs or more generalized conferences and meetings. Three potential outcomes of these processes and their impact on the identity and practices of members include socialization (Casson and Cox 1997: 180), goal alignment (Porter 1996), and cooperative learning (McEvily and Zaheer 1997). However, another potential way that this occurs is through the creation of process-based and character-based trust between members.[5] The former captures that trust that is built from repeated interaction and the reputation and expectations of behavior that result. Moreover, the knowledge and information that business associations provide, particularly in non-commercially sensitive areas like fundamental research, vocational training and generic promotion, can also help fulfill these functions (Rademakers 2000). Character-based trust captures trust that emerges from industry cohesion and socialization (Zucker 1986: 60). Through providing recurring meetings and facilitating a variety of interactions, the TFA serves as a platform where members can meet, which can help develop these forms of trust.

Examining TFA roles and their relationship with members

As we have seen throughout the book, TFAs undertake a wide variety of individual or cooperative activities in response to the interests of members, a function which we have labeled the "logic of membership" above. In this first part of this section we will see how associations perform this logic of membership. However, as discussed above, many association roles also constitute or constrain those members. To examine the potential effects TFA activities have on members, the three distinct functions that were discussed conceptually above will be explored with respect to the TFAs we have studied—*reinforcing boundaries* through in-person and virtual networking, *private* *governance* using self-regulatory codes and standards, and the *construction of identity and practices* through training and certification. Although there are also some constitutive implications of other TFA activities like creating and distributing information (which has been alluded to earlier in the chapter), as well as consultancy for members, these will not be discussed in detail here.

Logic of membership

In the transnational environment, where there are no laws requiring membership in a TFA, there can be little debate that TFA functions must fulfill the interests and expectations of their members. If they fail to do so, they may increasingly have difficulty retaining their membership and funding. To accomplish this associations usually take on a variety of tasks, including advocacy. However, many also undertake "value-added services" that correspond to the logic of membership. TFAs, like the European Association of Cooperative Banks (EACB) can explicitly note their role in providing these services—particularly seminars, workshops, publications and information.[6]

The idea that associations respond to the particular interests of the members is apparent in the variation of TFA activities we see. Professional associations, for example, often offer services related to continued community involvement, often in partnership with national or local partners. The CFA Institute, for example, places emphasis on the role of local member societies in providing networking events, educational programming, as well as other career-enhancing services.[7] They may also provide services related to employment. The Global Association of Risk Professionals provides a career center, which allows members and potential employers to post resumes and job opportunities, respectively, while the Chartered Institute of Management Accountants (CIMA) and ACCA: The Global Body for Professional Accountants both provide a searchable online resource, "Find a CIMA Accountant" and "Find an ACCA Accountant."[8]

Other TFAs offer various indices and market tools to their members and the financial markets. Some of these tools are non-exclusive, like the variety of European financial indices offered through the European Banking Federation that are widely available. Others are selective, limited to members, like the IIS Global 100 Stock Index, which focuses on the performance of the top international insurers. Most commonly, however, most associations provide information, through newsletters, updates, analysis or research, on topics that are relevant to their members. They may also offer training opportunities, which are discussed in depth later in this chapter. As with indices there is a variation between selective and non-selective goods in both these areas. In the case of selective, this can involve limiting participation to members only. However, it can also come in the form of preferential rates or additional access to something that is also available publically.

From this, it is clear that TFAs can provide a collection of services. However, one finds increasingly complex combinations of activities that provide both selective and collective goods to members. To fulfill the latter, most associations do provide some form of voice and space of interaction among their members. At a minimum this may involve providing some kind of in-person or electronic forum to discuss issues, determine collective interests and build consensus. These roles, therefore, lead us into a discussion of how TFAs can serve to influence and construct the community of which they are part.

Reinforcing or establishing boundaries of the community

The vast majority of associations provide some opportunity for members to gather and discuss issues that are important to their sector, at a minimum through an annual general meeting or conference. In fact, for some associations these meeting and networking events encompass the majority of their functions. The Global Payments Forum, for example, is explicitly intended to be a "strategic global roundtable, generating the vision for tomorrow's innovative cross-border payments solutions."[9] As we discussed in Chapter 1, however, most other associations actually undertake some combination of advocacy, standard setting, education and research roles, meaning these conferences and meetings are only one part of a TFA's work. Whether they make up a small portion or the majority of an association's effort, these activities still implicitly or explicitly encourage socialization and community building among the membership.

In fact, most associations see their meetings as a chance for members to interact with each other and for the identification of common problems (and potentially efforts to find solutions). For example, the Institute of International Finance argues that a benefit of membership is the expanding range of events where "members can exchange views on a wide range of economic and financial topics" with each other as well as policymakers and regulators.[10] The Latin American Banking Federation (FELABAN) runs congresses as part of its priority to "promote and facilitate the contact, understanding and direct relationships between the financial entities in Latin America."[11] The Federation of European Securities Exchanges (FESE) sees one of its key objectives as "providing a forum for open and forward-looking debate on capital markets."[12]

One must acknowledge that every event will not necessarily create a strong process of socialization within a community, particularly if the membership is quite heterogeneous or attendance is inconsistent. In reality the array of different activities that associations utilize often serve a variety of commercial and educational purposes from member networking to consensus building to information sessions and seminars. The Futures and Options Association (FOA), for example, holds a variety of events that combine market and educational elements. One of the most prominent of these events is the annual International Derivatives Expo that it puts on with the Futures Industry Association. In 2011 this event included 40 market exhibitors along with over 30 information sessions and workshops.[13] Even a TFA's annual general meeting will often combine networking opportunities with discussions and meetings and, in some cases, seminars and speakers on issues of importance to the membership. The International Capital Markets Association (ICMA) explicitly highlights that their Annual General Meeting and Conference presents multiple opportunities for attendees to "build professional contacts," for example.[14] Even events that have a more distinctly commercial aspect, however, can allow for a weak form of community building which involves the ability to recognize or identify other community members.

The role of technology has also been an important part of how this process has adapted to meet the needs of transnational associations and the creation of more globally accepted boundaries and identities. It is particularly interesting because traditionally community has been equated with a certain amount of geographic proximity. Yet, the increasing sophistication of tools that are available to associations via computing technology, particularly advances in internet communication, allow for the spread of symbols and norms which can be used to define the boundaries of a community, as well as the interaction of community members who may never meet in person. In particular, associations have begun to incorporate these technological advances to allow interaction between their members and with the organizational structure of the TFA. One aspect of this trend is the increasingly common use of sophisticated websites, RSS feeds and intranets, etc. These serve to make TFA communication with members and other communities more effective and efficient. In turn, these objects also inherently include and disseminate symbols and language that define boundaries around the community the TFA seeks to represent. Internet communication has also resulted in the increasing use of online message boards and other interactive events by TFAs to allow members unable or unwilling to meet in person still to interact with the larger community. Associations like the Chartered Institute of Management Accountants (CIMA), for example, offer a comprehensive interactive meeting and information hub online. In this case, it is a comprehensive website known as CIMAsphere that incorporates question/answer services with discussion boards, study groups, and a community directory.[15] These interactive tools can be seen as particularly important for TFAs with a global membership, particularly those that have individuals as members like CIMA, given the logistical challenges of in-person interaction.

Private governance: industry codes of conduct and self-regulation

A key self-regulatory function that some TFAs fulfill is the creation of codes of conduct or practice for their members. Although contributing to reputation and sector definition to those outside of it, these standards also have the potential to alter member behavior as well. It is clear that a wide range of global and regional TFAs have adopted some form of Code of Conduct or Code of Ethics. These standards are spread across the sectors from the Alternative Investment Management Association's (AIMA) Sound Practice

Guidelines, through the codes of conduct in the Emerging Markets Traders Association and the Loan Syndication Trading Association, to the various codes of ethics adopted by the International Federation of Accountants, the International Group of Treasury Associations (IGTA), the International Compliance Association, the Association of Certified International Investment Analysts, the Asian Securities and Investments Federation, the Caribbean Actuarial Association, and the European Venture Capital Association.

Yet, having a code of conduct is not a given. A significant number of associations do not have any publicly acknowledged code. Furthermore, a code of conduct does not necessarily emerge from some predetermined imperative of market harmonization. Looking at the case of the European Federation of Financial Analysts Societies (EFFAS) provides insight into how an association may explicitly have to construct the common foundations for a transnational code. In 2002 EFFAS created a Professional Conduct Codes Taskforce (PCCT), which developed a benchmarking procedure to assess national codes of conduct. This action was taken to begin the process of slowly identifying and addressing differences in the various national-level codes. Essentially it was to serve as a potential early stepping stone to harmonize conduct across members without a common code.[16] This work continued for almost a decade, as it was not until June 2011 that EFFAS released its own ethics code, the *Principles of Ethical Conduct*.[17] The recognition of this common foundation is made even more explicit with EFFAS' acknowledgment of the role played by its benchmarking process in the transnational code development.[18]

The EFFAS case reminds us that a TFA's code of conduct requires active effort by the association to create and institute it. Moreover, compliance with a code, and the inherent alteration of problematic practices that it should create, is not guaranteed either. In general, studies about the effects of a code of conduct on individual behavior in a corporate environment have found mixed results (Schwartz 2001). As some actors who comply with these codes will be motivated by the fear of negative consequences, a key concern when examining the effects of private codes of conduct on members is the level of enforcement and the process of adjudication. If monitoring and enforcement are weak, then the incentive for members to alter any potential activities to meet the rigors of the standard is decreased.

One cannot deny that monitoring, adjudication and enforcement of codes of ethics or conduct varies dramatically across TFAs. Some have essentially no enforcement mechanisms built into their codes. An extreme example of this is the Model Code of Professional Conduct that the International Association of Financial Executives Institutes (IAFEI) has developed. This particular code is intended to be used by the individual member-institutes as a common basis for each to develop its own code of conduct or to assess pre-existing ones.[19] In and of itself, this code is purely voluntary in that it does not require members to meet its standards specifically or have any mechanism to address associations that choose not to incorporate these principles. On the other hand, there are some TFAs with mechanisms that attempt to encourage their members' compliance with the code(s) and addressing different aspects, structure, activities and conduct of their members in the process. The WFE, for example, monitors its members' compliance with the Membership Criteria they had to meet for acceptance into the association. The Federation's Board of Directors may request a self-assessment review from a member at any time and it can formulate a policy of corrective action if the member no longer meets these criteria.[20]

Furthermore there are some professional TFAs that have developed mechanisms for adjudicating and enforcing their specific codes. Associations like the Caribbean Actuarial Association[21] and ACCA[22] have each developed a transparent disciplinary process attached to their codes. Another comprehensive enforcement mechanism can be seen in the CFA Institute's development of a Professional Conduct Program and operation of a public complaint center to investigate allegations of unethical conduct. If a member is found to have violated the Code of Ethics and Practices of Professional Conduct there are a variety of sanctions that can be applied, ranging from a cautionary letter or private reprimand through public censure, a variety of suspensions (from the CFA Program, membership in the association, the right to use the CFA designation), to permanent prohibition from the CFA program, revocation (of the CFA designation or of membership) and summary suspension.[23] Moreover, these sanctions are made public, enhancing the reputational incentive with which a member may have to comply. At the time of writing (September 2011), there were 65 people identified by name and country on the CFA website as being currently sanctioned.[24] In all of these cases, the need for enforcement is tied to claims about reputation of other members in the larger financial market and the punishment involves potential loss of reputation for the violating member. As such, these situations also create clear incentives for compliance.

The construction of identity and practices: training and certification

Within the range of TFAs studied in this project there is an array of education and training programs offered that focus on everything from broad comprehensive knowledge to more practical skills in specific areas. In our survey, 103 different associations were identified as running some kind of education, training or certification activity. However, in breaking this down further, we can see educational activities vary in intensity. There are some TFAs that run the occasional seminar while others have extensive educational divisions that offer a range of in-person and distance options for training and certification. Although there are too many examples to list in this chapter, particularly when TFAs who run seminars on a less frequent basis are included, the selection of examples presented here should give some indication of the variation in breadth and scope of educational practices that occur.

The most common educational function that we see TFAs undertake is to run seminars and conventions that explain or examine an important feature of the financial system for their members, and in some cases the broader financial community. Yet variation in these types of activities can occur in both quantity and content. In the case of the former, some associations run multiple events a year, often spanning multiple different topics and regions. The IIF, for example, offers a variety of training events in multiple regions throughout the year. Other groups, often for resource reasons, run significantly fewer training events. The International Raiffeisen Union, for example, runs an International Raiffeisen Cooperative Seminar focusing on a different area of interest or concern every two years.[25]

Looking at the topic or content, variation is again apparent. Some of these events are focused on enlightening members about the importance of a particular governmental development, while others highlight the need for financial actors to be aware of technological trends and advances in the functioning of finance. In the former situation, one can look at two two-day seminars on the EU through the European Training Program that is open to members of the European Association of Co-operative Banks.[26] This course provides attendees with an opportunity to examine the European regulatory structure and important issue areas related to it. In terms of an event focused on market innovation and technology, we can look to the World Federation of Exchanges' biannual briefing between senior managers and Massachusetts Institute of Technology (MIT). This event specifically addresses a variety of technical issues relevant to exchanges, over two to three days.[27]

We can also see the importance of having an understanding of the role of technology in assemblages when looking at the practices of education in TFAs. Videoconferencing and webinars are increasingly utilized as tools by organizations like FELABAN.[28] ICMA actually offers their annual conference as a virtual conference which is available through on-demand internet streaming.[29] In addition, most global financial certification programs incorporate the option of e-learning and online courses for at least some of the course work requirements. Smaller TFAs have also utilized this electronic format. For example, the Institute of Chartered Accountants of the Caribbean offers continuing professional education to its members through online courses in 44 different areas in partnership with KESDEE, an e-learning company located in the US.[30] The International Cooperative and Mutual Insurance Federation (ICMIF), on the other hand, offers its members access to AGILE, an insurance learning platform, which allows them to simulate real-world decision making.

A second form of education and networking that some TFAs take on is the coordination of staff exchanges or international partnerships between members. The Federation of Euro-Asian Stock Exchanges (FEAS), for example, coordinates a series of bilateral exchanges between members for training and building bilateral contacts for greater cooperation.[31] Another interesting variation of this kind of activity is the World Council of Credit Unions' (WOCCU) international partnership strategy. This project links credit unions or trade associations from the developing world with a partner institution in the global North. After visiting with a potential partner and determining areas of cooperation, the organizations sign a formal partnership agreement which commits them to conduct two to four joint activities in a year ranging from face-to-face interaction to providing materials or manuals, etc. Over the years, there have been a variety of these projects coordinated through WOCCU covering projects relating to examiner training (Paraguay/Minnesota), executive exchange programs (Ecuador/Colorado), and building a corporate credit union (Bolivia/Ohio, and Panama/Iowa) or guarantee fund (Peru/Vermont), among others.[32]

In addition, some TFAs also undertake more extensive types of training programs within different financial assemblages. The first are associations that provide more extensive courses and certificate programs. A diverse range of TFAs offer courses, executive training programs, and certificates, including the International Primary Markets Association, Latin American Confederation for Savings and Loans Cooperatives (COLAC), Arab Society for Certified Accountants, Institute for International Finance, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), European Bank Training Network (EBT Network), Women's World Banking, and ICMIF.

In other cases, these courses are aimed at another specific market-building project that the TFA is undertaking. In the case of the SADC Banking Association, the two online training courses it had developed to go live in 2012 were designed and accredited as part of the SADC PPP Project that has been running since 2002, in partnership with the Canadian International Development Agency and other agencies.[33] In other cases, the courses offered are much more comprehensive. The International Compliance Association's (ICA) certificates would also fit within this category, particularly given that it has an explicit mission of "excellence through education." In pursuit of this mandate, the ICA offers international certificates in Anti Money Laundering Awareness, Compliance Awareness, Financial Crime Awareness, an advanced certificate in Compliance and Financial Crime, and international diplomas in each of these areas. Each of these programs takes between a month to a year to complete. In addition, the association offers a number of programs tailored to national contexts in the UK, Australia and parts of Asia.[34]

The second, more intensive type of education or training is through services offered directly to individual members and tailored to meet their needs. For example, the World Savings Bank Institute and European Savings Bank Group (WSBI-ESBG) offers training and consultancy services including on-site staff and management training in a variety of areas like bank and branch management, credit products and services, marketing and sales, payments and risk management. By the middle of 2011, these services had been offered to around 70 financial institutions.[35] Individualized and on-site programs can bring about harmonization through the instruction based on best practices and techniques that the trainer(s) provides. However, as they are more specific to the unique needs and interests of the individual member than the other, more generalized programs discussed here, they can also serve to recognize key areas of difference based on context.

Finally, a number of associations have further developed their education activities, transitioning them into credential granting programs. This is particularly true of professional TFAs that represent accountants, investment managers, financial analysts and risk managers. Chapter 4 has effectively shown the importance of some TFA certifications in enhancing the reputation of their members. It highlights how the designations like the Chartered Financial Analyst (CFA), Certified International Investment Analysts (CIIA®) Certificate in Investment Performance Measurement (CIPM), Financial Risk Manager (FRM®) and Professional Risk Manager (PRM) are utilized to enhance the trust level by other members of the financial community in their respective areas. In this sense they serve an important functional role for the expansion of markets, as well as demarcating a space in the market. Although they have a clearly functional purpose, one can also see the role of power in driving these designation types of training programs, as a number are directly competitive with each other. The previous chapter talked about the similar functions of the CFA and the CIIA, for example. In this case historical foundations influence the growth of these two similar designations. It is unsurprising that the US foundations of the long-running CFA program are connected to its strength in the North American region and the European foundations of the CIIA make it more prominent in that region.

The growth of risk management credentials is also interesting to highlight how the use of training and professionalization get mixed in pursuit of the larger processes of market and community building. The expansion of risk management as a discourse began to occur in the mid-1990s and since that time we have also seen the growth of references to the risk management "professional." In financial organizations this has been linked with the creation of positions like the "Chief Risk Officer (CRO)" (Power 2007), while at the industry level risk managers have increasingly focused on institutionalizing their place within the financial system, including creating TFAs. In the case of risk management, two TFAs have emerged to take a leading role—GARP and PRMIA. Each of these bodies seeks to improve, harmonize and enhance the practices of risk management. One of the ways each group works to accomplish this task is through their certification programs, the Financial Risk Manager (FRM®) and the Professional Risk Manager (PRM) designations, respectively.

The FRM designation was started in 1997, when the emerging idea of financial risk management as an independent arena was being established. In this sense, then, the designation serves to create important early boundaries around the field and through its training process, practices are refined and spread until they potentially become institutionalized as best practices. In essence it has served to create boundaries for an emerging community, as well as socialize members within that community through the promotion of best practice through training. With the inclusion of the PRM designation as well, we are also able to see the importance of power and competition, not just functionality in understanding TFA roles because these two risk certification programs are in direct competition with each other to attract future members and ensure market recognition and importance. Each program argues that its graduates have mastered the latest technical and industry knowledge, as well as the best practices for risk management.

Turning our focus back to assess all these different training activities more generally, it is clear that they explicitly seek to influence the participants. In the case of small, issue-specific seminars, the scope of this influence is potentially limited to small adjustments in decision making based on the increased knowledge that a participant received. However, in more advanced programs, professional identity can also be shaped through the socialization, and in some cases, the professionalization, of participants. In the process, these education programs define the boundaries of good practice and in many cases serve as a harmonizing force by establishing a common foundation of knowledge among their participants.

When one looks at the training programs thoroughly, there are three processes, in particular, through which we see this occurring. First, these programs develop and promote "best practice" and techniques that can slowly harmonize practices in the industry over time. The development and/or use of continued professional development programs and products are also useful in continually reinforcing, or adapting as necessary, professional behavior and these best practices. Second, a number of the more extensive programs also include explicit focuses on ethical or professional standards in their course structures. Finally, these programs also tend to discursively reinforce the notions that participants are part of a community (or that upon successful completion they join this community). Each point will be discussed more in turn.

First, all training and education programs can promote some level of harmonization among participants and through them the daily practices that make up finance. Training courses and events focused on teaching specific interpretations or practical techniques and methods are promoting a particular interpretation of how the practices composing financial transactions should look. This process is often captured under the phrase "best practice" in any particular financial field. In these cases harmonization occurs as these specific techniques are transmitted to participants and put into action. As more people are trained and implement similar practices, the more the system is institutionalized around this frame. If acceptance and use of these practices reach a critical mass then they can become institutionalized. Continuing education opportunities are also an important addition for the construction or alteration of best practices. While these activities provide additional benefits for TFAs, like an additional source of income, they also allow for adaptations in best practice to be spread more easily throughout the profession, capturing more established practitioners. Predictably, the focus on providing continued professional development training is more prominent in professional TFAs. For example, the voluntary continuing professional education programs offered for Certified FRM® and Energy Risk Professional (ERP®) holders is linked by GARP to the ongoing integrity of the certification. Participants in this program are required to complete 40 hours of continuing education each year, through activities ranging from participations in various issue-specific courses to keeping informed using webinars and documents.[36] ICMA also offers a variety of certificates and programs through its Executive Education program.[37]

Second, in professional TFAs, in particular, processes encouraging harmonization of practice are further enhanced through practices that encourage professionalization. One indication of this is that the idea of professional ethics becomes more central to a TFA's education programs. One can argue that the overall intention is a variation on the practices seen in more established professions, the process where a community of members with common professional norms and ethics are developed in addition to shared collective goals (Djelic and Quack 2010a). In this case the common professional ethics are being instilled along with skill harmonization. When we look at TFAs' professional designations we see a strong focus on professional ethics in the curriculum for the CFA program and an ACCA designation. GARP and PRMIA also do not ignore this process, including it in their first and fourth tests from the main risk management designations, respectively.

Finally, the more professional TFAs, particularly those that have students and future members completing certificates or designations, also tend explicitly to reinforce the image of a collective through references to being "members of a community." The CFA institute, for example, makes the most explicit link between training, professionalization and community when it claims a CFA charterholder is part of:

> an elite global community of investment professionals committed to upholding the highest standards of investment education, ethics, and professional excellence … This community is a true meritocracy based not on wealth or geography but the personal commitment to master a rigorous body of knowledge. It represents a globally diverse range of people joined by a mutual drive to excel in the investment profession.[38]

This idea of community is also interesting when one considers the lack of interaction that will occur between all the members and the international nature of the designation. Hussain and Ventresca argue that TFAs are important sources of community. They argue that, "the symbolic dimension of communities implies that community formation is based on common meaning systems, symbols, and logics. Symbolic construction allows communities to evolve in the absence of interaction and physical proximity" (Hussain and Ventresca 2010). The utilization of training, and networking to a lesser extent, reinforces the symbols and logics that unite these various communities. Moreover, these groups tend to incorporate elements of groundedness, or at a minimum interaction between members, through a variety of educational and networking activities. There is encouragement for students and members to participate in networks, forums in an online environment and through local or national chapters.

Caveats

There is a need to exercise some caution before stating too strongly that the various kinds of programs discussed above will always have an effect. It is incredibly difficult, if not impossible, to assess the depths of community building that all the different training and networking activities by TFAs create. Shifts in identity are difficult to measure in any environment, but this is particularly true in an international setting. The cohesion of the community in each sector will also vary based on a variety of factors beyond the control of the association, including the heterogeneity in the market of members as well as the threats or opportunities in the larger financial system, among others.

Yet many associations' activities focus by and large on promoting the development of a coherent community united by common identities or goals with practices that are as closely aligned with their defined best practices. Furthermore, members and students are willing to devote scarce resources, including money, time and effort, to participating in these activities. The various projects and practices discussed above implicitly or explicitly reinforce this common foundation, particularly in a transnational environment where the local experiences and markets can be quite different. Therefore, we should take care not to disregard the constitutive effects of these activities.

Analysis and conclusion

Within this chapter there have been numerous ways that association relationships with their members have been inherently tied to assemblages, functionality and power. First, the complexity and variability of relationships between members and their TFAs fit well within the assemblage ontology that has been utilized thus far. By looking at material elements and expressive practices, we can see the role that many associational activities and projects play in territorializing and coding their particular financial assemblage. Activities like training and networking, in particular, are not solely services that members utilized to gain market share or recognition. Instead, they often serve two additional functions of defining the boundaries and harmonizing practices of financial communities by establishing a common foundation of knowledge among their membership. For example, the multiple real and virtual meeting spaces that associations provide can facilitate greater communication, and potentially solidarity and socialization of members in some cases. These interactions also reinforce a symbolic dimension of community united around common symbols and norms, shared interests and eventually common identities. The participation of current and future members, and in some cases the financial actors more generally, serves to guide community members toward common norms, practices and identities. The importance of these links was most prominent in cases where the granting of designations can be seen as a form of transnational professionalization.

Moreover, one can also see the practical and intentional incorporation of human and non-human objects in the assemblage throughout the chapter. First, the widespread use of online programs, products and tools, has been an important determinant in the delivery of many of these training programs. Technologies of web-based learning are increasingly utilized to provide these training opportunities without requiring the geographic restrictions of a traditional meeting spaces and classroom environment. This technology also serves coordinative functions by allowing members to interact with one another and the association in virtual space thorough discussion boards, virtual meetings and webinars.

Second, one can see how training manuals and other pedagogical objects become important sources of community identification. As they are being created, these objects are open spaces for discussing what practices and identities the group in question should be undertaking in finance. However, on completion these documents and other training tools shift from spaces of discussion about what is proper practice into black-boxed objects inscribed in material form that define and delimit appropriate behavior within various financial communities through claims of "best practice." The controversies in their creation are closed and agency is removed. Only in times of renegotiation or review of each document is the black box reopened to allow for discussion again. Depending on the frequency of this review process, the various training and regulatory documents created by a TFA can have important implications for the boundaries of the community and the interaction and practices that occur within and around it.

The assemblage ontology also allows us to capture the enrollment of autonomous academic or business actors into the community creation as TFAs create a variety of formal linkages to help them effectively fulfill their training and networking functions. These can involve a clear partnership with a single university or the enrollment of multiple partners. The CFA Institute, for example, has linked their training programs to a collection of 137 "university partners" worldwide. GARP and PRMIA also each call upon a set of academic partners and risk accreditation programs that explicitly create links with various North American and European universities.[39]

The continued provision of a large conference or annual meetings by many TFAs also highlights how assemblages provide structure to global finance. Many of these meetings, particularly the large congress or conventions, enroll various representatives from other TFAs, international or national regulatory actors and academics to participate in the event by making presentations on particular issues of interest to members or partaking in other, more informal interactions. As members of different groups participate in each other's events an increasing number of links between different assemblages are formed. In both education and networking functions the enrollment of these autonomous organizations reinforces the need to examine fully the networked nature of finance rather than any one group in isolation.

Functionality is also an important feature when discussing TFA relationships with their members. The production of financial communities with shared purposes, and the engagement of humans and objects that this involves, is closely related to the production of understandings of functionality that impose constraints on the conduct of community members. Within the activities that TFAs undertake there is specialization, regional- or sector-specific, that occurs. This trend is particularly visible in the provision of training and certification. We see multiple events and courses that are specific to either a regional environment, i.e. Asia or the EU, or to particular financial tasks or processes. Throughout the chapter, we can also see how functional roles are being accomplished through a variety of different styles. When looking at training and education more closely, a wide range of different techniques and processes, which require varying commitments of time and other resources, are utilized to achieve different goals. Unsurprisingly, organizational functionality is also apparent in providing these member services. The development and use of technologies to accomplish goals and particular organizational form that an association takes is often reflected in the needs of the activities they are providing. Internal differentiation, through the creation of subdivisions or departments, can also emerge as an organizational response to fulfill different needs of members (Schmitter and Streeck 1999: 56). More intensive training programs and certification, therefore, can also lead to more complex organizational structures in TFAs to manage these roles. The administrative needs of education and training mean that most organizations active in these activities have dedicated staff to develop, coordinate or administer them. Some TFAs have made even more substantial divisions to accomplish their training function. ACI, which offers two certificates in Dealing and Operations, as well as the ACI Diploma, has created its Global Education Centre, based in the Frankfurt School of Finance & Management but managed by the Director of Education ACI.[40] Similarly, in 1991 ICMA established the ICMA Centre at the University of Reading which also offers the Professional Risk Manager (PRM) for PRMIA among other certificates and degrees.[41]

Finally, the continued importance of power in multidimensional practices is also useful for understanding the importance and implications of TFAs. Looking at the processes that create boundaries and lay out the appropriate practice of members, one can again see that this is not a simple response to market imperatives. The competition that occurs among some of these designations, like we saw above with the risk management and accounting designations, reminds us that a simplistic reading of functionality is misleading. These activities do serve important functional roles. However, the provision of a particular activity or product is related to functionality but it is also inherently connected to explicit power and political decisions by TFAs. We are reminded that the "jurisdictions" of each TFA and their members are not absolute, "but are the outcome of ongoing claims and counterclaims" (Greenwood *et al.* 2002).[42]

Moreover, the combination of TFA activities—between governance roles, training and networking—perfectly highlights the complicated relationships that TFAs have with exerting *power over* and encouraging *power to* among their members. The granting of credentials and the requirement that members adopt certain standards of practice fit nicely with the notion that TFAs can possess power over, or influence over, financial actors and their communities at both the individual and organizational level. However, the provision of training and networking is largely aimed more at enhancing the overall cohesion in the association or industry in order to accomplish particular market and societal purposes creating more *power to* in the process.

Throughout this chapter, a number of key points have been made regarding the importance of TFAs in influencing global finance through their relationship with their members. These largely draw on a notion that TFAs help to create and reinforce financial communities. These communities, in turn, provide important sources of institutionalization guiding interactions in this field. In these situations TFAs can be important in defining the boundaries of communities as well as influencing the practices that are seen as legitimate within those boundaries through allowing, and in many cases encouraging, processes of socialization and the creation or perpetuation of common norms and symbols.

It is this complex terrain of relationships between TFAs and their members that complements the market building- and policy-focused roles that were discussed in the previous chapters. When all three are combined through an assemblage framework, the comprehensiveness and reach of associational impact on finance can be seen.

6 Financial associations and regional integration

The case of the European Union

To this point, our discussion has focused largely on TFAs that are more global in focus or membership. Yet some of the most intriguing and active transnational associations are regional in nature. The breadth of these regional associations, both geographically and in the roles pursued, highlights their important implications for financial markets and governance. They do not simply parrot the processes, relationships and goals of their international or national counterparts; they serve as an important reminder that global finance relies on the assembled power and functions of various actors, rather than a unilateral process with a unified driver. In fact, if one wants to examine how global finance is constructed and governed, these associations cannot be ignored.

This chapter will focus on associational activity in one region specifically: Europe. There are two interrelated reasons that this region is particularly useful for an examination of the roles and power of associations. First, TFA development and activity is particularly well established in this region, with 18% (42) of all the associations identified in our initial study being European in nature, the vast majority focused on the EU specifically. Given this level of development, it is not surprising that European TFAs undertake the wide variety of functions that we have seen on the international level.

Second, an examination of this region offers an opportunity to contrast how associations adapt their activities and practices in relation to the different assemblages of which they are part, as well as to consider the potential for similar TFAs roles in other regions or at the global level. Overall, European TFAs still undertake the representation, market-contouring, and community-building functions discussed in the previous three chapters. However, the way that these roles are pursued and combined also highlights interesting variations from these larger trends, particularly in how TFAs interact with their respective markets and regulators.

To highlight these similarities and differences this chapter will examine how the functional roles and power of different TFAs have interacted with different ideational, material and human actants to form distinct assemblages, which interact with but are also distinct from their national and international counterparts. Three key trends emerge, each providing insights into assemblages, functionality and power. First, it is clear that a very important focus of most European TFAs is creating, maintaining and utilizing relationships with key EU bodies. In fact, of the EU region associations identified, only two did not directly engage in some form of lobbying or advocacy activity. The extensiveness of these roles and relationships is made more complex as the influence of European TFAs on the regulatory processes in the EU can range from traditional lobbying to official participation in the policy design or implementation phases. Second, despite the important role of advocacy, European TFAs are not simply lobbying organizations. They do impact the financial sector through market creating and contouring functions through private standards and market-shaping tools like indices, as well as community-building roles. Finally, European TFAs also highlight an interesting evolution in TFA cooperation and assemblages through the creation of European associations composed of other European TFAs and the implications of this for functionality.

Given the extensiveness of EU-level governance in finance, discussing TFA roles in Europe without examining the regulatory environment that has been emerging at the same time presents an incomplete picture of financial assemblages in Europe. Therefore, we will briefly overview the regulatory structures that have emerged in the EU before turning to look more closely at the broad association functions identified above. As the quantity and pace of regional governmental initiatives in the financial sector have increased dramatically in the last 15 years, so have the opportunities, and arguably the necessities, of having a regional presence. The increasing public consultation processes in European policymaking and the regulatory initiatives intent on creating a regional marketplace have created spaces for associations that other regions and the international level do not possess.

Evolution of European financial regulation

As the EU has evolved, its various institutions have utilized focused pressure and regulatory action to encourage the harmonization or integration in the financial services market across the region. Discussion of a single market can be seen as far back as the 1957 Treaty of Rome, especially Articles 52–66, which deal with the freedom of establishment between the member states, provision of services and capital movements.[1] However, little movement toward integrating the financial sectors of member countries was made until the 1980s, with a few exceptions like the First Banking Directive of 1977, and financial activity remained largely within heterogeneous frameworks that were characterized by different legislation, supervision structures, and currencies.[2] Efforts to integrate the financial services sector in Europe received a new jolt of energy through the Single Market Programme established with the Single European Act in 1986. By 1992, the declared single market completion date, 24 directives had been adopted, with nine more being formulated in this area, including the Second Banking Directive, the Investment Services Directive and the Undertaking for Collective Investments in Transferable Securities

(UCITS) Directive, in addition to more general supporting measures that were necessary to ensure that consumers and investors were protected (Bindeman 1999: 51). Despite these developments, however, a number of differences in legal procedures and regulatory practices continued to make cross-border transactions difficult and expensive. Even the European Commission conceded that the single market program had not been as successful in the area of services, highlighting financial services specifically.[3]

As a response to these remaining concerns, and in light of the impending creation of the European Monetary Union, the Financial Services Action Plan (FSAP) was introduced in 1999. The FSAP called for 42 measures, from directives, regulation and some non-legislative actions, intended to harmonize the member states' rules on securities, improve the legislative system and remove barriers to a single European market by 2005.[4] One of the imperatives of the FSAP was to create a legislative apparatus capable of responding quickly to regulatory challenges and eliminating remaining capital market fragmentation (European Commission 1999). This led to the creation of the 2001 Lamfalussy Report which made a series of recommendations for streamlining the regulatory process in the securities sector. Based on this report, the EU implemented a multistage policymaking process, a comitology approach based on four distinct levels that was a key structural change to regulatory process in finance. At the upper, or first level the European Council and Parliament agree upon broad directives, or essential measures, through the co-decision procedure. However, after these are agreed, the technical details of each policy are fleshed out in regulations, known as Level II legislation, created by the European Securities Committee. This meant that the details of each initiative were shifted out of the more traditional intra-state (Council) or democratic (Parliament) arenas and into a different, more technical context. At the third level, the Committee of European Securities Regulators (CESR), which was created out of the Forum of European Securities Commissions (FESCO), provided advice to the ESC and the Commission on the elaboration of Level II regulations. CESR also facilitated consistent (day-to-day) implementation of Community law at the national level by creating Level III standards, although these rules do not have any legally binding force. Finally, in the fourth level, national regulatory authorities implement the directive.

In the years since Lamfalussy this governance process has been extended to the banking and insurance sectors and in 2003–04 the Committee of European Banking Supervisors (CEBS) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) were formed. The trend has continued with the restructuring of these committees into more powerful European-level regulators in the aftermath of the financial crisis, creating the European System of Financial Supervisors[5] along with the newly formed European Systemic Risk Board. This development has given them more power, although it is still early to assess how this shift will work in actuality.

These various shifts in the EU policymaking process also affect the assemblages of finance in the region. First, through this regulatory integration decision making in various parts of the financial services sector went from *some* policy decisions occurring at the European level in 1992 to *most* policy decisions in 2000 (Hooghe and Marks 2001). Although there is still fragmentation in European financial regulation, it is fair to say that most areas are at least partially governed at the European level. The addition of Level II legislation enhances this shift, as the regulations are applicable to member states as developed, i.e. they are self-executing, as opposed to directives, which leave some leeway around the exact rules to be adopted in each national jurisdiction. As a result, more importance is placed on the interpretation and wording at the European level.

Second, the comitology process in finance has increased the potential access points for TFAs at the European level. The EU policy process traditionally has a variety of power centers, including the Commission, Council of Ministers, Parliament, System of Financial Supervisors, Central Bank and Court of Justice, as well as national governments. Comitology has expanded the number of access points as the various new regulatory committees at Level II and III have been able to establish themselves as credible sources of European authority and additional nexus points for public-private interaction in European financial regulation.

TFAs, advocacy and the regulatory process in the EU

The previous section highlighted the larger governance actions to harmonize and liberalize the diverse financial systems of member states in the EU. Yet, the lack of centralization in public decision making and regulatory processes within a single body or entity and these complex governance assemblages are not purely public in nature. A closer examination reveals that TFAs are prominent actors in the design and/or implementation of many initiatives. Instead, the EU is best understood as a combination of governance institutions with partial and divided authority; a structure that creates multiple targets for the influence and exchange relationships (Grant 2002). In particular, the "fragmented policy competencies" within the institutions and "the lack of a large and well-resourced bureaucracy" have created a potential void that private interests may fill (Aspinwall and Greenwood 1998: 25).

The overarching impact of all these regulatory developments has had a clear impact on European business associations. First, as the financial services market and its governance have become more integrated, the need for effective representation at the European level has become more important, leading to the expansion and increased visibility of European TFAs. At the same time, the bureaucratic needs of the European institutions have created a variety of important access points and potential roles for European financial associations to exercise power around the regulation of their market. As with any policy process, access does not necessarily translate into voice or influence.

However, the access points do impact associations' decisions about their roles and activities, from lobbying to more explicit forms of policy participation.

Unsurprisingly a key function of many European TFAs is advocacy and other forms of interest representation to influence regulatory process. The importance of this activity historically can be seen in TFAs like the European Savings Bank Group, the creation of which in 1963 was explicitly linked to an argument that the original six savings banks organizations (Germany, France, Italy, the Netherlands, Belgium and Luxembourg) "needed to be represented at the European level via European federations that served as partners for the European Institutions."[6] The centrality of these roles is also apparent for current TFAs. The European Banking Federation, for example, refers to itself as the "Voice of European Banks," with part of its mission statement "to position the European banking industry within the European and global regulatory frameworks."[7] In accounting, one of the Federation of European Accountants' (FEE) objectives is "to be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions,"[8] and the Federation of European Securities Exchanges (FESE) argues its "main counterparts at the European level are the European Commission, European Parliament, EcoFin Council, the European Securities Committee, and the European Securities Markets Authority (ESMA)."[9] Even a relatively new association like European Association of Credit Rating Agencies (EACRA), established in November 2009, has a top priority of representing their members' interests in EU policy processes. In the case of EACRA this is to "promote the interests of the CRA's in the context of legislative measures and the communication with the relevant stakeholders (eg regulators, supervisors, market operators and the financial community as a whole)."[10] This focus on the EU regulatory processes is supplemented in many TFAs by efforts to influence international regulatory processes as well, including the standards developed by the IASB, the Basel Committee on Banking Standards or the work of IOSCO or IAIS in securities and insurance, respectively. However, even in these cases the EU institutions provide a central focal point for their advocacy efforts.

The prominence of these mandates means it is not surprising, then, that the most studied functions of European TFAs (and other private interests) are the complex lobbying relationships with the EU that have emerged over time (Bouwen 2002, 2004; Bouwen and McCown 2007; Broscheid and Coen 2003; Coen 2007; Coen and Richardson 2009; Greenwood 1997). As a whole, the findings of these studies indicate an intense interaction between the European bodies and private interest groups like associations, particularly in technical and regionalized policy arenas like finance. Although associations often pursue extensive and complex lobbying strategies targeting multiple EU institutions throughout the regulatory process, the Commission is an important focus of the advocacy for associations in the financial sector. Its place as formulator of policy documents and regulations, its relatively small bureaucratic size, and its focus on representing "European" interests, make it an ideal location for these associations, particularly those in technical areas, to focus their advocacy efforts. A number of studies have shown that the Commission has had a strong preference for European-level associations historically, placing emphasis on the collective rather than individual representation of interests (Dang-Nguyen *et al.* 1993: 11; Watson and Shackleton 2003). Bouwen's analysis reconfirms this, arguing that European TFAs have better access to the Commission and the Parliament, with their more explicitly European mandates, compared to the Council of Ministers (Bouwen 2002).

The Commission also opens up multiple spaces for TFAs by actively utilizing consultative committees—including expert groups, mixed-expert groups, dialogues with European associations, and roundtables, to confer with associations and other interests about financial services regulation. While the variation in the formality and longevity of committees makes them more difficult to trace, 26 distinct *ad hoc* or standing committees related to financial services were identified between 1996 and 2001 alone (Bouwen 2009). These committees ranged from roundtables of hundreds of participants to small groups working in a mixed expert committee. Coen (2007) argues that these committees and forums are utilized to reduce and manage lobbying of the Commission in highly technical regulatory areas like finance. However, all these committees also allow for the direct participation of private interests in discussions with European bodies (Mazey and Richardson 2006: 258). More specifically, these committees are also important tangible events to which an association can point when arguing that it serves an important role in advocating for its members' interests.

Given that consultation provides the Commission with a space to secure industry and community support for its proposals as well as information, it would be short-sighted to conceptualize lobbying as unidirectional toward the Commission. Instead, the relationship is one of interdependent organizations. The associations aim to influence the development of the European regulatory structure while the Commission utilizes these contact points for information and other resources that they require to fulfill their mandate (Bouwen 2009). In the process, the Commission encourages the development and maintenance of the associations and legitimizes their roles. This interdependent relationship where both the TFA and the Commission utilize the other to achieve their objectives marks an important form of enrollment in the assemblage. This enrollment manifests itself throughout the assemblage in multiple ways.

First, many of the studies that focus on advocacy and lobbying highlight that these activities are inherently connected to information in the broad sense of the word. The EU institutions' need for expertise and legitimacy means that the ability effectively to gather, process and disseminate information that is reliable and relevant is important political capital in Brussels (Watson and Shackleton 2003). Unsurprisingly, most European TFAs have active programs on information collection and coordination among their membership, which take the form of statistical data, industry reports and working papers on particular topics. Bouwen (2002, 2004) further specifies this relationship by examining the different information needs of the EU institutions involved. He argues there are three information-based "access goods"—expert knowledge, information about the European Encompassing Interest (IEEI) and information about the Domestic Encompassing Interest (IDEI)—which impact the relationship between European institutions and business associations. Expert knowledge involves specific technical knowledge, while the IEEI "relates to the aggregated needs and interests of a sector in the EU Internal Market," and the IDEI focuses on the aggregated interests and needs in the domestic market (Bouwen 2002: 8). Although European-level associations are considered to be less well placed to provide specific technical information than large, individual companies, because of their structural make-up they do bring a representativeness of the European landscape that these corporate bodies and national associations cannot provide. As such, European associations are particularly well placed to provide an indication of the IEEI.

By drawing in the insights from our theoretical discussion, we can also see that the integration of data collection and research processes are more complex than simply gathering information together for lobbying. The reports, studies and databases, among other objects, that are important to many advocacy efforts have additional implications for the different market-based assemblages through coding boundaries and identities as well. In some cases, the resulting documents are also utilized in more technical analyses of the level and pace of European integration. In the process, they provide an implicit reinforcement of the perception that there is a distinct European regional market, outside of the national and global realms. These reports can also serve as objects of support or resistance to different visions of the pan-European market structure and efforts to create it, as well as challenging or reinforcing norms about the EU governance assemblage. These analyses are intended to serve as a tool to understand the European landscape. However, once created they become expressive representations of the sector or topic in question. In turn, we can see that each document becomes an object for expressively coding/decoding the assemblage as well.

Second, EU preferences have also provided some incentives for these associations to embrace a diversity of interests across the financial sector at times (Greenwood and Webster 2000). In some cases, this preference has resulted in different TFAs coordinating their efforts prior to approaching the Commission. Although this cooperation manifests itself in informal discussion or issue-specific coordination, there are also formal incarnations that have emerged. For example, a new cooperative association of European associations was launched in January 2004, the European Banking Industry Committee (EBIC).[11] The various European banking and credit associations created EBIC in order to provide coordinated response to EU initiatives and facilitate consultation with the EU bodies when possible.

Finally, some of the relationships that European TFAs have in developing European financial governance transcends traditional notions of advocacy to become policy participation. In the policy development phase, this can be seen in the formal participation of a TFA in the creation or adoption of EU rules and regulations. This role is best seen in the power exercised by the EFRAG—a body formed in 2001 to meet the technical needs of the EU bodies in the adoption of International Financial Reporting Standards (IFRS). Further formalized in 2006 with the signing of the "Working Arrangement Between the European Commission and EFRAG," the association's main function is to analyze the applicability of each IFRS standard to the European situation through an endorsement mechanism. Much of EFRAG's importance and influence, therefore, stems from its recognized role as a technical committee in the EU public policy process. Its influence on the market through this role has also become quite extensive, particularly in light of the EU's IAS Regulation (No. 1606/2002), which has required all European listed companies to use IFRS since 2005.[12]

Moreover, EFRAG's position in European governance provides it with the space and power to exert influence on the national and international regulatory assemblages as well. In turn it becomes an important interlocutor in multiple national, regional and international assemblages. At the national level, EFRAG coordinates national accounting bodies through a quarterly meeting with European National Standard Setters and the Proactive Accounting Activities in Europe (PAAinE) initiative. This initiative was developed in 2005 to stimulate discussion on IASB agenda items prior to the issuing of a formal proposal. It is intended to enhance the power of these bodies as they "pool some of their resources and work together more closely so that Europe as a whole can participate more effectively in the global accounting debate."[13] Internationally, EFRAG maintains connections with the IASB in a number of ways. Not only does it comment on IASB interpretation, discussion and consultation papers, but its representatives attend a number of IASB working groups as observers. In turn, the IASB is an observer on EFRAG's Technical Expert Group.

Implementation of EU financial governance

In the European arena, we can also see that some TFAs take on roles that create and harmonize the practices that are required for implementing the EU's more comprehensive integration programs. This policy participation places the associations at a unique nexus between public and private governance that is similar to discussions of "private interest government" where there is a clear devolution of public authority onto associative actors (Streeck and Schmitter 1985). In these situations the TFA becomes an active part of a more comprehensive program for governance and implementation that involves European institutions, national governments and the appropriate business associations. Examples of this relationship can be seen in the processes to coordinate the roll out the physical euro currency in 2002 in a harmonized way across Europe. In order to accomplish this task effectively, myriad small and large practices needed to be coordinated. These not only include the printing and transporting of new currency and the coordinating of release dates, but also smaller, technical practices like the changeover of dispensing and practices for dealing with the old national currencies that were swapped.

Recently, this type of function has been most obvious in the efforts to roll out the Single European Payments Area (SEPA), which seeks to establish in real financial practices the single market for retail euro payments which was envisioned in the EU's Lisbon Agenda. There have been important strides made toward SEPA by the EU institutions. However, the project actually to implement and achieve the vision was launched through the European Payments Council (EPC),[14] a European TFA created in 2002, in cooperation with these government actors, including the Commission, the Central Bank, and the national governments. The SEPA project has proceeded in three phases since its creation: the design phase (January 2004–June 2006), the implementation phase (June 2006–January 2008), and the migration phase (which began in January 2008). At each phase, one can see the interaction of public initiatives with the work of the EPC. For example, in the implementation phase the legal basis for action was accomplished with the development and adoption of the EU's Payment Services Directive (PSD) in 2007. At the same time, however, the EPC was developing and testing new instruments and products that would fulfill the PSD objectives. These efforts resulted in the creation of product schemes for credit transfers and direct debits and other tools. Further cooperation between public and private actors has been needed for the other practices and objects that construct the national roll outs of various SEPA instruments and standards.[15] In 2009, SEPA direct debiting began and by 2010 all bank accounts that have national direct debits were "reachable" through effectively creating a pan-European system for cross-border (euro) direct debit transactions. The importance of this kind of technical and practical projects for implementation highlights the assembled and performative nature of finance, as well as the role that TFAs play in it. In these cases it is not direct attempts to influence the policymaking process but the ability of TFAs to influence and alter specific financial practices.

European TFAs as sources of market contouring and community building

It would be misleading only to discuss interest representation roles and other policy-based interaction between public actors and associations in the EU, despite their importance, as most associations also undertake a variety of activities beyond these roles that affect the organization and functioning of the European financial system. In reality, many European TFAs also create or coordinate objects and programs that serve to contour the European market or develop their community directly. For ease of discussion, we have focused on three key types of functions below, providing private standards and codes, maintaining market tools like indices, and training and coordinating members.

Private standards and codes

One key type of association activity seen across TFAs is the creation and implementation of private standards and codes. These codes are often technical in nature, focusing on harmonizing one specific aspect of a larger process in financial services. Yet, as Chapter 4 highlighted, these more technical processes and documents can have important implications for the organization and practices of day-to-day finance. Through examining three different codes directly, more nuance becomes visible. The first example of this kind of standard in Europe is the *European Agreement on a Voluntary Code of Conduct for Pre-contractual Information on Home Loans*. While the focus on pre-contractual information may seem quite specialized and less significant when we think of large-scale financial flows, it is useful to remember that problems related to mortgage practices in the US had a significant role in the financial crisis.[16] Developing an effective pre-contractual disclosure system, as this code aims to do, contributes to better financial consumer protection. In turn, they can have a positive effect on finance more generally, including encouraging greater efficiency in financial intermediation and more financial stability (Melecky and Rutlege 2011).

The EU's voluntary home loans code was created by nine European banking/credit sector TFAs and five European consumer organizations in March 2001 after three years of negotiation. It specifically addresses the transparency and quality of pre-contractual information that should be made available to potential borrowers. In turn, this information is intended to increase the consumers' ability to compare different loan offers and allow them to make more informed decisions based on their preferences. The code lays out a template of information that the lender should provide to a potential borrower on general information on home loans offered, as well as the presentation practices and structure of the specific personalized loan information in a "European Standardised Information Sheet" (ESIS).

However, this home loans code also reveals a weakness of private forms of governance in market contouring, as its adoption has been inconsistent across the EU. As of 2008, lenders in only 21 member states and Norway had implemented the code.[17] In the majority of these jurisdictions (14 member states), the adopting lenders accounted for 90% or more of the mortgage market. However, in the remaining third of participating states, the percentages are lower, and there were still no lenders in Spain or Poland, among others, that had adopted the code.[18] More recent reports and comments from the Commission have also noted concerns with the material manifestations and practices around the code, particularly the consumer understanding and accessibility of the ESIS and the inconsistencies in the timing of when it was made available to borrowers across jurisdictions. Given these concerns, the success of this code is mixed and the Commission has publically indicated it is considering whether to replace it with binding EU regulation.[19] However, as of August 2011 the code was still in effect as a governance instrument.

Another example of this type of market contouring role is EBIC's 2008 self-regulatory code establishing common practices of bank account switching. As with the mortgage code, market actors developed this voluntary standard, the *EBIC Common Principles on Bank Account Switching*, through a special task force of the association, and the Commission formally acknowledged it in December 2008. The focus of the code was to make it easier for a consumer to transfer their accounts to different banks. As with mortgages, this issue of bank account switching is important for the practices of finance and it is not unique to the European market. In fact, the US has begun to recognize the difficulty and inconvenience in the processes of switching banks, particularly with the increased prevalence of online banking services, which give banks more power over account holders.[20] This trend has led to the introduction of the *Freedom and Mobility in Consumer Banking Act* (H.R. 3077) for consideration in the 112th Congress in 2011–12.[21]

Unlike the home loans code, these Common Principles are relatively successful and have been implemented in all 27 member states and Norway. In this case, the widespread adoption will have some effect on harmonizing the practices of banking in the EU. Furthermore, within the structure of these principles, one can see how finance involves the layering of actions and practices down to the micro level of the individual consumer. Their effective development and implementation in the single market involves coordination and agreement on correct practices at the transnational level, adoption and enforcement by national bodies and day-to-day implementation by individual banks and consumers. In these principles the new bank acts as the "primary contact point" for the consumer by assisting with the closing of the old account and the transfer of balances and contacting the old bank to ensure that direct debts and standing orders are transferred to the new account smoothly. The new bank will also have a role in ensuring that the relevant external bodies are provided with the new account details. Beyond these practices, another level of institutionalization in the assemblage occurs through the enrollment of national banking associations and independent third parties, which take on an oversight mechanism through monitoring and evaluation processes, respectively.

The "Code of Conduct on Clearing and Settlement" is the final example of a private code. It was created in November 2006 and implemented in a three-stage process by January 2008. This standard, developed by the FESE, the European Association of Central Counterparty Clearing Houses (EACH) and European Central Securities Depositories Association (ECSDA), addresses three areas of concern for clearing and settlement practices—price transparency, access and interoperability, and service unbundling and accounting separation. This code has also been successful in achieving its objectives and a Commission review in 2009 noted that it "has contributed to a significant restructuring of Europe's post-trade markets" by increasing transparency and competition.[22]

However, the code has not addressed all concerns in this arena as the legislative framework for clearing and settlement is not consistent across member states. This lack of consistency, and related concerns about risk and regulatory barriers, are currently being addressed in legislation. However, even after the introduction of public forms of regulation, we can see how private and governmental regulation can work together. The Commission has maintained that in this area of financial services "self-regulation and legislation remain important complementary tools and the Code will continue to have a pivotal role to play."[23] In addition, in the 2008 consultation report issued by CESR, clear distinctions were drawn between the contributions and focus of the code and the public regulation (ESCB/CESR, "Draft Recommendations for Securities Settlement Systems and Central Counterparties") being proposed. Interestingly, in the same document CESR also draws attention to the importance of an additional set of industry-created standards: the EACH High Level Standards for Risk Management (February 2001) and Standards for Inter-CCP Risk Management (July 2008). It asserts, "CESR and the ESCB underline the importance of this self-regulatory initiative of EACH, which invites individual CCP's to adhere to these additional standards for risk-management in order to keep in step with market developments."[24]

The connections between public and private sectors are not unique to clearing and settlement. In all of these private codes there is an important interplay between public and private governance bodies and tools. In the example of home loans code, there was overlap between the public and the private sector as the European Commission was an important source of power for this process in three ways—the code was developed as a result of its invitation to look at market lead options, the code was endorsed through an official Recommendation on 1 March 2001,[25] and the Register of Adhering Institutions is run through the Commission. Furthermore, EBIC's code on bank account transfers was also formally endorsed by the Commission and the organization reports to this body regularly on the progress of implementation. Even the code of conduct on clearing and settlement has a similar foundation. It was created based on a July 2006 call by the Commissioner of the Internal Market and Services Directorate-General in response to lack of consensus between member states, and it also received an explicit recommendation and is monitored by the Commission through the Monitoring Group of the Code of Conduct. While these connections highlight interesting debates about the role of public delegation of power for governance, they do not mitigate the fact that each of these codes affect the performance of various financial practices, and therefore finance more broadly.

Indices and market tools

There are also other projects that some associations undertake to influence how the European market operates, particularly the creation and maintenance of market tools. Some of the best examples to show the material and expressive dimensions of how associations contribute to financial market contouring are the four market indices administered by Euribor-EBF. These include the EURIBOR (Euro Interbank Offered Rate) and EONIA (Euro OverNight Index Average) rates[26] (which were developed in January 1999 with the implementation of the euro), and the EONIA Swap Index[27] (which came into operation in June 2005), which were established by the European Banking Federation (EBF) and ACI: The Financial Markets Association. In addition, a fourth index, the Eurepo rate for secured money market transactions, was introduced in March 2002 by the EBF and the European Repo Council (ERC), a regional council of the International Capital Markets Association's International Repo Council.[28]

Chapter 4 talks about the power of indices in market contouring, and similar processes are present in these cases. Each of these measures is an important benchmark rate in the European markets and they each have been utilized by the European Central Bank in different capacities. In the process, they have emerged as key expressions of the health and stability of different aspects of the European market. However, these rates do more than simply reflect the market; they also help construct it. For example, in 2005 Eurepo was explicitly identified by the European Central Bank president as an "important market initiative for promoting the repo market's integration".[29] In creating a pan-European measurement, this standard encouraged the further development of a "European" market through the greater harmonization of decisions in various national markets. Moreover, this construction is not limited to market actors. The EONIA index is interesting as it links the European institutions and associations in the construction process by creating a rate that is based on the European Central Bank's calculation, but where the technical definitions and calculation procedures were designed by market participants represented through a variety of key European and international TFAs.[30]

These rates also remind us of the constructed nature of finance and the interplay between material and ideational elements inherent to these processes. The effects of different practices of construction on the resulting market object are visible when we look at the differences between the Euribor and the euro BBALibor[31] reference rates. Traditionally the two rates had tended to be largely consistent with each other. However, during the recent financial crisis, they began to diverge, due to a shift that was attributed to their different calculation practices. One of the most obvious differences in construction is that the Euribor rate is determined from a panel of 44 banks largely located in the EU, whereas the euro BBALibor draws from a 16-bank panel of contributors that does not entirely overlap with the Euribor group. There are also a number of subtler distinctions in the calculation and definition of each index, which can impact the resulting rate. More specifically:

> Libor contributors are asked to contribute the rate at which they believe they could borrow funds, should they propose to do so. Euribor contributors, in turn, are asked to quote rates at which, to the best of their knowledge, euro interbank term deposits are being offered within the euro area by one (merely hypothetical) prime bank to another at 11 a.m. CET

> ("the best price between the best banks"). In addition, the calculation mechanism of Libor eliminates 50% (the highest and lowest 25%) of the quotes from the arithmetical averaging when calculating the benchmark rate, while Euribor takes into account 70% of all contributions.[32]

These different practices do not affect the broad acceptance of these rates, as both are used as the foundation of a variety of different lending decisions. In each case, these rates are accepted as important market indicators, as predetermined objects, which can be factored into different decision-making practices by market actors. However, the differences in their construction also highlight the interdependence and reflexivity between actors and construction of the market. Their differences remind us of how practices that are often open to contestation in the construction phase can become formalized into objects over time.

A European association that represents securities exchanges, FESE, has also taken an active role in supporting activities specifically aimed at altering the financial markets through a technical process. In this case one can look at its joint efforts to create harmonized tick sizes across the EU. Tick sizes are the smallest increment that share prices can fluctuate on exchanges and multilateral trading facilities (MTFs). In June 2009 efforts of the FESE, the London Investment Banking Association (LIBA) and four MTFs (Chi-X Europe, Turquoise, BATS Europe and Nasdaq OMX Europe) resulted in a new regime that harmonized the tick sizes for shares with highest liquidity. Prior to this effort it had been argued that there were up to 25 different tick size regimes operating in the region, which led to concerns about market efficiency and increased spillover costs to users and investors. As differences in tick sizes can also provide a market advantage by attracting high-frequency traders and other statistical arbitrage business, some of this variation can be explained as market driven. However, it also poses a risk to finance more generally, as FESE has pointed out, by encouraging undercutting and a race to the bottom.[33] While the voluntary nature of the agreement means that MTFs and exchanges are not legally bound to the regime, many important organizations implemented a tick size system using one of four tables laid out in the agreement. In the process, they began to harmonize one aspect of how share prices fluctuate on European markets through the securities market assemblage altering the market in the process. However, care should be taken not to overstate this harmonization. A July 2011 announcement by NYSE Euronext that it seeks to unilaterally reduce the tick sizes on some shares pending regulatory approval provides some indication that the coherence in this part of the assemblage is weaker.[34]

Community building within the financial sector

A final non-advocacy-based impact that European TFAs have relates more specifically to the discussion of community building in Chapter 5. Looking at these associations one can see three processes that serve to code the boundaries and identities necessary for the development of a financial community. First, TFAs build boundaries through the information and publications that they develop for interest representation. Although the explicit focus may be on gathering and collating information for advocacy purposes, the integration of data collection and research processes into reports, studies and databases, among other objects, has additional implications to the different market-based assemblages. Sector- or membership-wide commentary and positions in particular can further serve to reinforce implicitly the bonds of similarity and community between members of the association. They also help define the boundaries of commonality and difference for the financial sector because they often treat the existence of the community as given and focus on discussing its level of harmonization or other particular features instead. Rhetorically many of these documents explicitly reference the needs or wants of their defined community, as well as stating common practices or roles.

Second, one can also look at the variety of meeting, training and networking events that European TFAs undertake. Most European-level associations do offer conferences, workshops, or other information dissemination activities that seek to promote common understanding and practices among their specific community. These various events allow for the coordination, and potentially the socialization, of members. In many cases they also allow for larger discussions and networking across various segments and actors in the European market. Even just looking at the accounting sector, both FEE and European Federation of Accountants and Auditors for small and medium-sized enterprises (SMEs) (EFAA) hold a variety of events each year where members and non-members can meet to discuss a particular issue that is of mutual interest. The former holds a variety of roundtables and conferences. The latter presents a couple of conferences and events each year, usually in partnership with other associations.[35] One can see similar patterns in all European TFAs, although the number of events and their size will vary.

Finally, we can also look at the education roles that these TFAs take on. Interestingly, there are fewer European associations that focus on large-scale or continuous training activities when compared to their other roles. An exception to this trend, however, is EFFAS (European Federation of Financial Analyst Societies), which created and still coordinates the Certified European Financial Analyst (CEFA) designation and also helped launch the internationally available Certified International Investment Analyst designation in the region.[36] These designations provide a visible sign of community for membership and the standardized training practices seek to socialize members and establish common practices. With its promotion and coordination of the CIIA designation, one can see the links between the international and regional assemblages for financial analysts and their norms of conduct and activity.[37] Moreover, we can also see the important role that technology plays in this process through the development of an online training tool (SPOT). This tool is utilized by emerging associations in areas where classroom training is difficult. EFFAS is also involved in direct training and education through the "EFFAS Summer School," which has been offered for the last few years in Madrid with the sponsorship of Banco Santander.[38] Along with providing specialized skills, all of this training also creates a common knowledge base across the member constituencies and implicitly reinforces a sense of a "European" industry.

Association cooperation and the extensiveness of the assemblage

Throughout this chapter multiple examples have highlighted the links and overlaps between the European TFAs. In the areas of interest representation, market contouring or community building at least one example had TFAs working together in the design or implementation of the project. This high level of formal and informal cooperation between the different European associations is a clear indication of the complexity and robustness of the financial services sector at the European level. This cooperation manifests itself in issue-specific efforts and cooperation, as well as the creation of new associations. The former processes provide practical linkages that allow functions to be provided and power to be exercised. The latter, however, make the integration and cooperation in the assemblage more permanent and institutionalized. In all variations, this level of connection between TFAs is interesting, particularly as it is not present in other regions to nearly the same degree or scope.

Looking at more *ad hoc* cooperation and links, there have been many clear cases of associations formally working with each other to achieve a particular goal on a case-by-case basis. For example, the "Code of Conduct on Clearing and Settlement" was built on the coordinated efforts of three European TFAs. Moreover, this cooperation can also involve interactions with national associations, international and national TFAs as well. The various Euribor banking indices were created through a coordination of the European Banking Federation and other TFAs, notably the international association ACI. The consultancy roles of the ESBG are explicitly coordinated with the efforts of another international TFA, the World Savings Bank Group. The regime that standardized tick sizes, on the other hand, involved a London-based association and key market platforms and the EFFAS summer school is connected with Banco Santander. Beyond these formal indications of cooperation, there is also a variety of informal links that occur as associations coordinate their lobbying efforts or other general discussions held between different combinations of associations as the issues allow.

The second form of cooperation between European TFAs is the emergence of formal second-level European associations (European-level associations made up from a membership of other European associations), like EFRAG and EBIC. Although some international associations are structured as federations composed of regional members, most regional association membership is composed of national federations or direct market participants.

However, this makes these two bodies unique as the members exist at the same level of institutionalization as the association itself. In the case of both EFRAG and EBIC, the purpose of the association is similar to other European TFAs: to coordinate, where possible, the interests of its membership to present a unified stance to EU institutions on a particular issue of financial governance. Their cooperation is based on the belief that there are certain issues and situations where their power and tools can be pooled to achieve a functional end.

This increased cooperation between TFAs could be seen as a challenge to the larger claim of functional differentiation as they require associations to merge at least some of their activities together. At the surface, it is clear that these connections give a sense of cohesion to the realm of associations in Europe that is not present elsewhere. However, we find their development has not been a precursor to a collapse of the differentiation between the associations, which at the extreme would lead to the emergence of a single TFA with many interests. In areas that are of particular interest only to one association, or where agreement cannot be reached between the different TFAs, associations still pursue their goals independently. It is only in areas or situations where the functional needs are unified that cooperation occurs. This tension explains the tight focus and limited scope that many of these cooperative arrangements have. It is not a case of disappearing differentiation. Instead, the variable nature of these connections forces us to conceptualize a more complex relationship between functional needs and associational activity. The overall assemblage in the European region still supports the general claims of differentiation based on function.

These cooperative efforts may actually serve as an attempt to solve a problem of dysfunctional complexity that could emerge with so many distinct TFAs active in an assemblage. With multiple associations representing specific subgroups and issues in each sector, there is a possibility that TFA activity would begin to work at cross-purposes by creating such a complex assemblage. By joining together where practical, this possibility is limited. Some support for the idea that these formal cooperative associations are primarily about addressing functional needs in a coordinated fashion can be inferred from the creation and dissolution of the European Committee for Banking Standards (ECBS).[39] The ECBS was created in 1992 as a second-level European TFA by the three major European banking associations to improve technical banking infrastructure by creating soft harmonizing standards. However, the ECBS' functions were taken over by the EPC in 2006 and the former was disbanded. Instead of retaining two associations, the choice was made that the EPC should incorporate the ECBS' functions into their responsibilities for developing and maintaining the SEPA payments schemes.[40] Interestingly, the EPC is a mixed membership association with 74 members from 32 countries, so it is not a second-level association but a more traditional TFA.[41]

A return to assemblages, functions and power

To understand the implications of the complex roles that European TFAs play, assemblages, functionality and power are all important elements to consider. First, in the examination of the various TFAs discussed in this chapter, we have interesting insight into the assembled and networked nature of finance and financial governance in Europe. The importance of governmental actors, particularly the EU institutions, adds an interesting dimension to finance in the region. The connections between European TFAs and the broader financial assemblages are effected by the strong presence of these actors. However, this does not limit TFA impact to advocacy. A closer look reveals that there are also a number of public-private or hybrid arrangements between the EU and European TFAs to fulfill specific functional goals within the assemblage. This has taken the form of policy participation, in the adoption phase through EFRAG and the implementation phase through projects like SEPA. In addition to these kinds of connections, the industry self-regulatory measures in many cases were endorsed explicitly and supported by EU institutions.

Moreover, all of the standards, indices, and training courses discussed in the chapter clearly do not operate on their own. Instead, they draw in a broad collection of actions, objects and actors that make up the financial landscape. These can be multi-level in nature, as numerous programs and initiatives require the integration of practices from the individual consumer to the European institutions. Projects like the training of EFFAS to the bank account switching code of EBIC all require important changes in the financial practices at the consumer level, while being developed at the regional level. They can also be more material or technical in nature as different technical processes or objects are utilized to fulfill the necessary role. For example, to provide a single European payments area, SEPA utilizes the Bank Identifier Code (BIC) and International Bank Account Number (IBAN), two objects that are important parts of the international assemblage through the International Standards Association and SWIFT. Individual banks utilize these numbers in relation to their national banking systems, other international banks and individual consumers, in turn.

Throughout this chapter we have also seen the comprehensive roles that these regional TFAs take on in the EU. The associational landscape is large in breadth and scope and TFAs take on a wide range of financial activities throughout the banking, securities, insurance and accounting sectors. Therefore, it is not surprising that there is functional differentiation in the associational assemblages here. Within a diverse range of associations, each TFA tends to serve distinctive market actors or purposes. This means that within the broader sector like banking, there are seven different associations, each filling a functional niche by focusing on either a specific issue or a sub-segment of the industry in their independent programs and activities. However, it is clear that the associations at the European level have also combined their resources and power to achieve a specific common end. In some cases this has resulted in informal cooperation between various TFAs toward a specific goal. However, it has also resulted in the creation of second-level TFAs in the region, like EBIC and EFRAG, which formalize the connections between their TFA members.

The key functional role of these European TFAs is advocacy or interest representation from more generalized advocacy to policy participation. However, care needs to be taken not to oversimplify the functions they fulfill to this one area. If one were only to focus on the lobbying activities of these bodies it would be easier to limit their impact on the financial assemblages as part of other types of policy-based relationships. However, once the focus is expanded to look at the diversity of TFA roles, these approaches become problematic. When looking at this regional landscape it is clear that European TFAs do have a meaningful presence in market creation and market governance. Various associations have actively created instruments and tools, including market indices and tick size harmonization among others, to encourage the market and the actors within it to function in a particular way. For example, by creating and maintaining the Euribor and related indices, the EBF and others have mediated the way that investors, public officials and others utilizing these tools understand the European market. They are not simple, neutral reflections of the market. The differences in the reference rates of Euribor and the euro BBALibor during the financial crisis remind us that they are the outcomes of a constructed process of calculation. An additional argument supporting the claims of broader independent impact on European financial assemblages can be seen in the case of EFFAS, where the training provided creates a level of standardization in knowledge and role of a financial advisor in the broader system among not only association members but also individual students.

Finally, the various cases reinforce the connection between enrollment and power. We have seen how some associations have been able to enhance their roles and impact by coordinating with the power of EU institutions. These projects can be primarily led by the TFA, as in the case of the justifying of continued or increasing support from members and acceptance from other parts of the assemblage.

Yet, with the lack of success for some of the private codes we are also reminded that TFAs have limited power over their members and the jurisdictions in which they operate. In the case of the home loans code and the effort to create harmonized tick sizes, the different levels of commitment from member groups are clear. This lack of coherence weakens the functional impact that the project has, as well as the power of the TFA. Finally, in this area we see that the projects created are not neutral but the outcome of contested debates. Similar to the discussion in Chapters 3, 4 and 5, European association actions, and the objects they enroll, are the outcome of conscious compromises and decisions. From the threat to create public regulations where self-regulatory processes existed previously, to technical decisions about how calculations are made in Euribor, we can see how the compromises and power dynamics in each aspect of the assemblage are made visible periodically.

Potential insights for beyond Europe

This chapter has shown how TFAs can be very important at the regional level, particularly in Europe. These associations have incorporated themselves into both the regulatory and market assemblages in complex and comprehensive ways. The breadth of market activities that they undertake, combined with their multiple roles in influencing European financial regulation, make this regional group of TFAs some of the most comprehensive. However, before shifting to the following chapter, it is worthwhile to reflect on whether the European case is emblematic or distinctive. In other words, can we draw lessons for TFAs more broadly from what has emerged in Europe?

Overall, one must acknowledge that the situation in Europe is distinctive. The level and strength of governmental power at the regional level, as well as the integration of its state members, is not seen in any other part of the world. This means that these TFAs operate in a unique environment. However, the European case is also illustrative of two potential developments of TFAs more generally. First, the interesting connection between TFA activities and support of regional integration bodies is something we see mirrored in a less comprehensive way in other regions. As we will see in the following chapter, a number of areas in the global South have TFAs with important connections to their respective regional bodies. Furthermore, the emergence of TFAs composed of other transnational associations is an interesting feature of the European assemblage. Although it is currently unique, these meta-associations may have some potential at the international level. There are currently no global associations that are composed of other global TFAs. However, there are a few international TFAs that are composed of regional TFAs, making them a hybrid variation on the traditional idea of national or corporate members and the meta-associations where the members have the same geographic scope as the association of which they are members. The Global Financial Markets Association, discussed in Chapter 3, is a recent TFA taking on this format. Finally, although the likelihood that any other geographic grouping of TFAs will emerge in exactly the same manner to the European case is miniscule, this case is emblematic of the size and multifaceted roles that these associations can play in regional and global assemblages.

7 TFAs in the global South

Capacity building, regionalism and globalization

One of the most interesting observations to come out of this study was the variety of roles taken on by transnational financial associations in the global South. There is an understandable tendency to focus on finance in northern markets where it is more developed, and the assemblages and associations discussed in the previous chapters have generally focused on the complexity of these areas. Yet the associational activity in and around the global South again reflects the importance of the meso-level institutional structure that constitutes and constrains the practices of finance. The distinctive, overlapping and, in places, contradictory activity of TFAs contributes to southern assemblages or southern parts of larger assemblages that differ from ones that are primarily located in the global North. Southern TFAs, in particular, do not simply transcribe the programs and ideas of the north but also undertake their own projects addressing things in their own economic, political and social context. Two distinctive trends that challenge the singular and simplistic reading of southern TFAs as unimportant and powerless emerge when we examine their activities and roles in the context of assemblages, functionality and power as enrollment.

First, southern TFA activities and roles tend to have an overarching focus on capacity building in the financial sector as part of the larger and more complex process of economic development. In this pursuit, the three major functions that have been discussed throughout the book have been utilized. Many southern associations have relationships with their relevant regional organizations, as well as attempting to influence international regulatory institutions and global TFAs. The market contouring and community-building roles of the associations, on the other hand, focus on developing financial markets, through better education, more sophisticated standards and better tools. In turn, the practices and programs that these associations create and promote, while at times more limited than their better-funded counterparts in the global North, do play important functional roles in these areas.

Second, southern TFAs are linked in a variety of ways with larger global assemblages. Throughout the global South, TFAs have worked with international and regional organizations to create different programs, partnerships and funding arrangements to meet their capacity-building objectives. This interaction involves multiple forms of enrollment where southern TFAs are integrated into some global initiatives and international actors are enrolled in regional or southern ones. In turn we will see how the various assemblages are reflexive and also necessary to meet the functional objectives that are sought.

The following section will clarify the roles of TFAs in the global South and look briefly at the potential impact of northern and global associations. We then examine the particular relationships, functions, and power that southern TFAs have created. Finally, the chapter will conclude by returning more explicitly to the overarching themes of assemblage, functionality and power.

TFAs in the global South

There are a variety of ways that the TFAs examined could be categorized and presented. As in previous chapters, sectoral divisions are problematic because they obscure the overlap and similarities in TFA activities. On the other hand, the discussion of TFA impacts in the global South could focus on examining each of the different major regions separately. Of the 225 associations examined, there were 75 regional associations in the global South broadly defined—African (19), Arab-Islamic (12), Asian (24), and Caribbean-Pan-American (20). Although it is clear that each of these regions has its own collection of financial assemblages, not all southern associations are traditionally regional. Moreover, there is more broad-level similarity than difference in the contributions that these associations make to finance in the global South. Therefore, a different system of categorization and organization is more useful.

A first potential option is to categorize TFAs by the geographic home of their membership given most associations make their membership public and one can usually determine the primary nationality of each member, even if this is sometimes complicated by the case of local offices of multinational member firms. There is some elegance in this distinction. However, it can also miss two important aspects of the financial assemblages in the global South: that they are often inextricably connected to different assemblages operating globally (or even primarily in the global North), and that the activities, objects and roles undertaken by northern or global TFAs can have direct and indirect impacts on the global South as well. A second option is to examine TFAs based on whether it is northern or southern assemblages that they aspire to influence or engage in their work. This kind of categorization requires more judgment as the target of activities may not be clearly identified by the association and effects can spill over from one geographic domain to another. However, it does address some of the weaknesses of only looking at membership.

In light of these issues, we decided to utilize a qualitative assessment that incorporated both the aspects of membership and target of influence to categorize the TFAs. Within Figure 7.1 both the location of membership (running

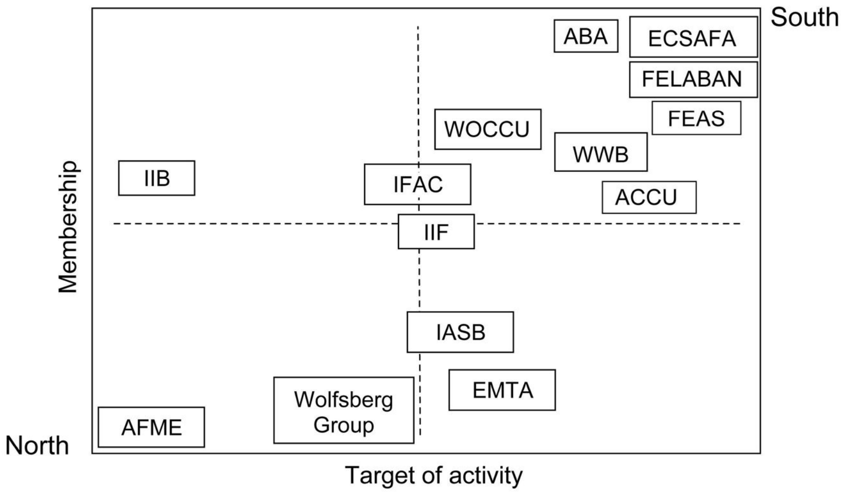

Figure 7.1 Conceptualizing TFAs based on membership and targets

vertically) and target of influence (running horizontally) are presented in a succinct way.[1] In the top-right quadrant, one will find associations with a membership primarily from the global South, the efforts of which target these assemblages and markets. Conversely, in the bottom-left quadrant are TFAs with a membership primarily from the global North, which target their activities at these northern markets. In the middle one finds associations with a geographically diverse membership, which target their efforts at global initiatives.

Most of the TFAs studied up until now tend to run from the center to the bottom-left quadrant of the chart, although they have not been listed on the chart. Since global finance has traditionally been centralized in particular northern jurisdictions, such as the City of London or New York, it was not surprising that some of the most important associational activity was primarily in these areas. The Association for Financial Markets in Europe (AFME), used as an example in the chart, was formed from a merger of LIBA and the European branch of SIFMA in November 2009 to serve as a representative body for Europe's wholesale financial markets. Unsurprisingly its membership is largely headquartered in the global North and its focus is on the European marketplace.[2] The impact of TFAs in this quadrant can still be felt indirectly in finance more broadly, however. First, the efforts of northern-based associations to enhance the competitive performance of their member firms and the northern markets that they dominate may have negative consequences for the competitive position of southern actors in global finance. More commonly, however, they can have an impact through their influence on the establishment of global standards and "best practices." The Wolfsberg Group, for example, consists of 12 of the world's leading international banks, and seeks to set standards with regard to money laundering and terrorist financing. Their focus is their own activities and markets. However, the standards they adopt have an impact on many southern actors as these practices are imitated and disseminated in southern markets, or because southern actors operating in northern markets must comply.

There are also northern and global TFAs that seek to influence or engage directly with financial actors, markets and regulations in the global South, those in the bottom-right quadrant of the chart. These TFAs can promote market liberalization or seek more direct social outcomes, like a direct alleviation of poverty, in the global South. This distinction in the overarching goal of TFA action and focus is another reminder of the variation and diversity that occurs in the associational landscape. For example, the Emerging Market Traders Association, with the membership base of major northern banks, focuses on liberalizing southern financial markets and facilitating the trading of southern debt through the creation and dissemination of best practices. One can also find a number of northern NGOs, like the Gates Foundation, which are not technically TFAs, which focus on poverty alleviation through improving access to finance in the global South. Interestingly, while there are a number of cases of associations consisting mainly of northern members that seek to influence policy processes, regulation, and market development in the global South, there are almost no cases of southern associations that focus on influencing the global North. The association closest to this effort is the Institute of International Bankers, which comprises foreign banks, including some from the global South, that are active in the US and seek to influence US regulatory policies. This highlights some of the power asymmetries that exist in the TFA world.

In the center of the chart are the global TFAs. On the membership side, the inclusion of southern members can create increased legitimacy on the perception of true "globalness" of the TFA. Moreover, it can serve to expand the membership base extending the direct reach of the association's efforts. These associations, like the Institute of International Finance, tend to focus on influencing global regulatory bodies or developing private codes and standards that become an international benchmark. By establishing best practice these TFAs can have a similar impact on finance in the global South as above. The influence of the IIF in the development of the Basel accords (Wood 2005; Tsingou 2010c, 2010d; Young 2012) and the expanding adoption of international accounting standards from the International Accounting Standards Board (IASB) are just two examples. However, enrollment of southern associations in these processes complicates the relationships between the actors and the influence of global TFAs. Later in the chapter this multifaceted interaction in global assemblages will be examined further.

The final group of TFAs is those that we are identifying as southern TFAs—those in the top half of the chart. The remainder of this chapter will draw out their functions, power and distinctive relationships with assemblages in finance.

The roles and functions of southern TFAs

There are other studies of financial sector associations in the global South,[3] and a small but insightful literature on the role of southern associations in other sectors that were useful in this project.[4] Although much of this literature focuses on national-level business associations, or business government relationships, two key themes emerge across the works that provide some insight. First, these other studies show that there is meaningful associational activity in the global South and it is diverse. Second, they highlight that governmental actors can play an important role in the development of independent associations. Maxfield and Schneider (1997) find that governments find themselves balancing the advantages of corporatism in integrating the private sector into their public policy goals against the risks of enhancing the unity and legal strength of a business community that may be rapidly growing in size relative to the state, and which may have interests that do not always coincide with those of the state. Economic globalization can also alter the character of business associations (Schelhase 2004), as can the relationship between business actors and regional bodies in the South (Nesadurai 2009).

Our analysis has found similar points that are relevant to TFAs, although slightly altered due to their transnational nature. First, it is clear that southern TFAs have emerged from a variety of spaces and they are not simply regional subunits of global TFAs. They have independent roles, histories and mandates. Second, governmental actors, especially international and regional organizations, play an important role in supporting these associations and how they seek to accomplish their objectives. In addition, it is clear that the primary area of activity and focus for southern TFAs is in their own economic and political arenas through advocacy, market building, self-governance and community development functions for the purposes of capacity building, regional development and harmonization.

Relationships with regional bodies

Many, but not all, southern TFAs that are regional in membership have developed relationships with their regional government counterparts. However, there is little evidence of large-scale coordination of each region's different TFAs by their regional body. In fact, most TFAs tend to have independent relationships with their regional counterpart and only *ad hoc* relationships with the other TFAs in their region. This actually runs counter to our findings in Chapter 6, where a number of associations would work together to achieve a common regional goal.

Since each association has a separate relationship with their regional body, it is not surprising that the nature and strength of this relationship varies. While some TFAs have emerged when national associations band together in an attempt to influence regional economic integration (Jacek 2000), others have been created or developed to have a formal role within the regional body. The COMESA Bankers Association and the Committee of SADC Stock Exchanges (COSSE), for example, are both part of the official structures of their respective regional organizations,[5] whereas the South Asian Federation of Accountants (SAFA) had achieved the status of the South Asian Association for Regional Cooperation (SAARC) Epex body.[6] Other associations are more independent but still have a formally recognized role and relationship with their intergovernmental counterpart. This often appears in the formal participation in the regional association's meetings, like the SADC Banking Association, which presents a brief at the annual meeting of the region's Committee of Central Bank Governors,[7] or the West African Bankers Association (WABAO), the creation of which was instigated by the Governors of West African States (ECOWAS).[8] In these cases, the TFA is expressly and strongly enrolled in the assemblages of the regional bodies. At a minimum some of their activities will be utilized to reinforce those bodies and assemblages.[9]

The relationship between TFAs and their regional counterparts can also be one of more traditional lobbying or advocacy. Some TFAs lobby through more formalized links. The Latin American Banking Federation (FELABAN) is a registered civil society organization with the Organization of American States (OAS)[10] and the Association of Southeast Asian Nations (ASEAN) Bankers Association is an offshoot of the private-sector roundtables set up by the secretariat of that regional organization in 1998 (Soesastro 1999: 197). Yet, this is not the same type of participation as those above, given that neither appears to have any formal policy role. Furthermore, many of the TFAs also emphasize lobbying their respective regional initiatives through informal connections like the Insurance Association of the Caribbean, which seeks to be an "effective lobby for the strengthening of Caribbean companies operating regionally."[11] In this relationship, the enrollment is as strong, and it may not even necessarily be present. For example, Saudagaran and Diga (2000) argue that the ASEAN Federation of Accountants had not developed enough political clout to influence the agenda of the larger body at the turn of the century. Care should also be taken not to overstate the centrality of regional connections because this trend is not as substantial or consistent across the global South as it is in Europe. Many of the associations identified do not have any explicit activities with regard to any regional governmental initiatives.

Market and community building: training, products and other southern-specific projects

Southern TFAs also take on a variety of functions in their respective assemblages aimed at improving the market or building their community. These associations also tend to provide community building through networking. Like in the more general TFA environment, these interactions have the potential to reinforce the boundaries and identities within the specific financial community. With southern TFAs the frequency of meetings and conferences is generally less often and less consistent but all associations create some opportunity for members to meet and debate issues in the industry and association.

It is also interesting that private standard and code development is a far less prominent function than market building through other means within these associations. Of the 75 regional associations in the global South, over 80% have explicitly undertaken at least one of these capacity-building activities, whereas less than 25% have developed a unique standard, code or governance mechanism for their industry or profession. This capacity-building activity can take the form of technical capacity-building projects or products, providing training courses and other educational activities like seminars and guidebooks, and the interpretation and promotion of applicable global initiatives. When looking at the TFAs' activities that were discussed as market contouring and community building in Chapters 4 and 5, a number are also clearly undertaken by some southern TFAs explicitly to increase market or member capacity.

First, there is a tendency to create tools or programs for members to use that will allow them to make more informed decisions. These projects can be highly individualized, like the Latin American Confederation for Savings and Loans Cooperatives (COLAC), for example, which undertakes credit scoring, the balanced score card and has created various manuals to help its members. The Asia Pacific Loan Market Association (APLMA), which is established by a group of major international banks and headquartered in Hong Kong, has worked to build primary and secondary banking markets through efforts to harmonize and standardize procedures and documentation (Porter 2006). The Association of Asian Confederation of Credit Unions provides a range of business services including consulting, brokering and project evaluation.[12] In each of these cases the TFA draws upon a variety of inscriptions,[13] particularly written standards and evaluations. Association activities can also focus on the community of members by exploiting economies of scale or providing financial tools to make the market deeper and/or more robust. A clear example of this is the Federation of Afro-Asian Insurers and Reinsurers (FAIR), a TFA that offers a variety of joint pools or syndicates in reinsurance, aviation, oil and energy.[14] Financial economies of scale can also be seen in the creation of COLAC's subsidiary FINCOLAC, which specializes in providing consumer loans and micro credit.[15] Both individual and generalized tools are also clearly part of the work of the Caribbean Association of Indigenous Banks, which provides audit services, business process reengineering and bulk purchasing, in addition to serving as a forum for member interaction and advocacy.[16] In this case audit services and reengineering are techniques that directed toward individual members, while bulk purchasing is exploiting an economy of scale to create more efficiency for the wider membership.

A second effort to increase the capacity of members, or the industry more generally in some cases, has led a number of TFAs across the global South to develop and/or provide training programs. Like the larger TFA environment, education functions range from individual sessions to full certification programs. The processes and practices utilized to fulfill this function are also highly diverse and draw on aspects of enrollment and organizational functionality. Some associations explicitly enroll other actors to provide the actual training, while others build an in-house system. In the former case, the Caribbean Confederation of Credit Unions coordinates a series of annual professional development workshops and an alliance with the Credit Union Executives Society's International Leadership Academy.[17] APLMA is also an association that puts a significant amount of effort into education functions, providing over 45 seminars, conferences, training courses and networking events across the major financial centers of the region each year.[18] To offer this range of education options it enrolls a variety of members and international bodies to ensure this objective is met. In this case the association is tapping into a larger assemblage by drawing in the new actor's expertise and organizational capacity. In the case of the latter, COLAC has offered technical assistance, training and programming on different issues that affect Latin American credit unions through its own educational foundation, FECOLAC.[19] In this case organizational functionality occurs as the TFA has altered its internal structures to fulfill this function.

This variation can also extend to the role of information and communication technologies in the training process. Associations like the Accountancy Bodies of West Africa (ABWA), which has created an Accounting Technicians Scheme West Africa (ATSWA) in addition to offering a number of seminars to increase awareness and understanding of accounting standards in their region, have maintained an "in-person" element to their training programs.[20] In this case, all the tests required by the ATSWA must be taken in a designated center at a particular time. Yet, other TFAs have actively incorporated technology into the provision of education, particularly web-based learning technology. ACCU, for example, has developed a wide range of education and assessment tools, including six credit union solutions adopting sound business practices, which are available on their member password-protected website.[21] For many training programs the use of internet and computer technology through practices of email, discussion boards, and webcasting has become part of the distinct assemblages to provide this training and education for capacity building.

TFAs, development and funding

In providing these projects one aspect of assemblage, functionality and power that emerges is the importance of the connections between southern TFAs and development funding. Yet, these relationships are also marked by variation in the level of formality in linkages that span funding, representation and project-specific collaboration. Some associations work with direct funding links to UN bodies and other international or OECD development groups. For example, the African Rural and Agricultural Credit Association (AFRACA) has received funding from the International Fund for Agricultural Development[22] and the Food and Agricultural Organization (FAO) of the UN,[23] among others, to support a number of their different programs. In other cases the linkage involves enrolling the development organization by creating a formal space within its governance structure, even if this is limited to observer status. In addition to some financial relationships, the World Bank is an observer member of the Eastern, Central and Southern African Federation of Accountants (ECSAFA) and has accompanied the association to sit on its meetings with government representatives in the past (Mockler 1999). Representative links can also be formalized through memoranda of understanding, like the ones that FELABAN has with the Andean Development Organization or the Latin American Association of Development Financing Institutions (ALIDE).[24] Finally, a weaker link has been established with many TFAs only enrolling public and private organizations in specific projects of mutual interest. The African Insurance Organization (AIO) developed their credit assessment scheme with the support of the UN Conference on Trade and Development (UNCTAD), as well as Standard & Poor's Insurance Ratings, London,[25] while the COLAC cooperated with the World Bank's Global Development Learning Network to run an interactive videoconference to prepare and update its members on the effects of new financial reforms in Latin America and in the Basel committee. The Federation of the Euro-Asian Stock Exchanges (FEAS) offers conferences on corporate governance and best practices self-assessment workshops through co-operation with the UN Development Programme (UNDP) and the OECD.[26] This funding is often, but not always, a key part of getting a capacity-building project undertaken. For example, COSSE has been pursuing the development of a hub and spoke system to improve the interconnectivity of stock exchanges in the region,[27] which would allow the different national jurisdictions to remain independent, with their systems, but allow investors to access all the member exchanges as well. The last update on this project, which has been in progress since 2008, was that they were seeking to secure the funding that would be necessary to upgrade and implement the system.[28] A unique aspect of these programs is that they are largely centered within the southern TFAs. Although other global and national actants are enrolled, they are not the central point of the network.

Enrolling southern associations in global TFA assemblages

From the discussion above it is clear that aspects of the global, regional and national assemblages overlap in relation to these TFAs. Yet it is also clear that among the identified southern TFAs, this is not a unidirectional, top-down relationship. In fact, these links, processes of enrollment and mediator roles provide many southern TFAs with agency in the global assemblage. While southern TFAs often work to extend the reach of standards or practices originating in the global North, this is not driven automatically by a deep structural imperative of global finance, nor is it consistently orchestrated by powerful northern actors. It also involves creativity and hard work on the part of the southern TFAs, requiring them to engage in their own processes of formulating their purposes and enrolling other actors and objects, often in ways that differ from northern TFAs. Global finance would not have become as global as it is without this active and distinctive engagement of southern TFAs.

One of the most common forms of enrollment in global assemblages comes from the inclusion of southern members, whether they are TFAs, national associations or individual companies, in global associations. In these situations both sides often perceive there are benefits from expanded membership. Southern TFAs and members have incentives to join, particularly if there is a reputational advantage from membership or knowledge-sharing benefits that can be exploited. For global TFAs, the active participation of southern members can be important in legitimating their activities and advocacy by extending their membership beyond a set of northern founding members. An early example of this is the Institute of International Finance, which emerged in the debt crisis of the mid-1980s from a group of northern banks who wished to share information about their exposure in developing countries. This TFA now bills itself as a global association and is heavily involved in seeking to influence international banking standards, IMF policies towards emerging market crises, and other matters with global public policy relevance. Currently just over 50% of the countries from which it draws its members are in the global South. Post crisis, many international TFAs and regulatory bodies have expanded their membership to include representatives from a number of emerging economies for this reason. For example, the International Banking Federation has recently expanded to include new associations that represent the increasingly important economies of China, India, Russia, South Korea and South Africa. Yet this inclusion may not necessarily result in increased voice. For the IIF, membership is very global but its key committees tend to be dominated by leading northern firms. In the case of the International Banking Federation the new organizations have been enrolled in a distinctive category—associate members rather than as full members like the original northern counterparts.[29] However, southern associations may also increase their influence in more global TFAs through committee involvement. The International Federation of Accountants (IFAC) not only has members from all regions of the global South, but many of its committees also have at least one member who is from an association in a southern state, including its Board, Compliance Advisory Panel, Public Interest Oversight Board, Professional Accountancy Organization Development committee, Professional Accountants in Business committee, and the Small and Medium Practices committee.[30]

When looking at global financial associations that promote a more popular or cooperative understanding of finance the inclusion and enrollment of the global South is also apparent. Many global TFAs with these goals have a significant number of members, if not a majority, from the global South and their recognition of the distinct social nature of each national and regional environment makes this breadth important. The International Raiffeisen Union, the International Cooperative and Mutual Insurance Federation, the International Cooperative Banking Association, the World Savings Bank Institute and the World Council of Credit Unions, among others, have all actively incorporated both northern and southern members to increase their global spread by sharing lessons, pursuing collaborative or harmonized setting of standards and economies of scale. Many microfinance TFAs, like Women's World Banking, mix together northern and southern associations and organizations as they are often key nodes in the process of connecting the microfinancial bodies with more developed partners in the north to increase their capacity, whether through financial, regulatory or education support. The impact of cooperative and microfinancial associations will be looked at in more detail in the next chapter.

However, assuming that all TFAs see the widespread inclusion of members from across the global South as a necessary development for international influence is problematic. The Wolfsberg Group,[31] the IASB and the G30, with three southern members, have remained largely northern in membership. Yet, this has not necessarily limited their influence. Tsingou (2007) has shown the G30 played a key role in the development of market-oriented regulatory policy for derivatives prior to the crisis and the influence of the IASB has been thoroughly discussed in Chapter 3. Furthermore, for TFAs that offer professional designations, the power and legitimacy of the designation is based in part on the general belief that it denotes a well-trained professional. In attempting to ensure quality control, these TFAs often require members to meet and maintain affiliation requirements and standards and the individuals certified must also meet ongoing renewal requirements, which can affect their geographic spread.

Beyond membership in the global association, there are increasing links between southern TFAs and global assemblages through the former's role in helping to implement or promote the broader international best practices, codes and techniques. Although these linkages tend to involve forms of harmonization, it is also important to recognize that they are not simply the direct or unilateral adoption of northern practices. As the outcomes of these initiatives often affect their markets, these southern TFAs are naturally interested in the content of their work and seek to influence or mediate them at multiple stages. First, through consultation processes, and other forms of advocacy and participation, southern TFAs attempt to influence the content of standards in the problematization and drafting phases. Unsurprisingly the consultations around the new Basel capital adequacy accord, the international accounting standards of the IASB and other key international initiatives in the global finance have drawn interest from affected associations in the global South.

Furthermore, southern TFAs act as a mediators (altering the practices they reproduce) rather than intermediaries (transmitting the practices without changing them) once these initiatives are adopted. There are two functions that these associations can take on which focus on how a TFA is enrolled into these global assemblages but which also recognize their ability to modify the chain of action by promoting and interpreting the initiatives. First, associations can promote adoption of these codes to regional and national regulators. In this situation the mediator role of the TFA is present but more limited as they are enrolled in a way that utilizes their power through influence to encourage greater adoption by other regulatory bodies, rather than any explicit interpretation of the original. In this role the utilization of public statements of acceptance, memoranda of understanding, information sessions, and other activities become part of the translation process. Second, many TFAs also offer training and discussion sessions, alone or in partnership with other bodies, for members and regulators on how properly to interpret and integrate these standards. In this case, the mediation is easier to identify, as these are interactive events by nature. Often global standards require informal interpretive judgments when they are implemented, and southern TFAs can play a role in the development of these interpretations.

In order to see the multifaceted nature of enrollment, the next section examines the multiple roles and practices of southern TFAs in the global assemblage for accounting standards. While this discussion could focus on any of the global assemblages, accounting has been chosen because of the breadth of connections that can be discussed. Moreover, harmonization is particularly important for accounting standards since their key purpose is to permit rigorous comparison of financial reports across different firms and jurisdictions. This makes the independence of southern TFAs involved with accounting less likely than in areas where harmonization is less important—thereby making the activities that we find more significant. In previous chapters different aspects of the global accounting assemblage have been highlighted already, including the central standard-setting role of the IASB in Chapter 3, education programs of IFAC in Chapter 5, and the regulatory role of the European Financial Reporting Advisory Group in Chapter 6. However, this complex and far-reaching assemblage also includes the enrollment of a variety of southern TFAs.

One may be tempted to argue on straight membership terms that the international accounting standards process has been a project of the northern markets. Although some global accounting TFAs, including IFAC and the Association of Chartered Certified Accountants (ACCA), have a broad membership base, the IASB is a largely northern association in membership terms. Although the main standards board does require "broad geographical diversity" in its expert membership, a majority of its 15 expert members on the standard setting board, and most of the members on the IFRS Advisory Council,[32] come from a background in the global North.[33]

However, this situation has not prevented some of the southern accounting TFAs from actively trying to shape the international accounting rules and standards. A common form of this activity has been to engage in the IASB's consultation process when it is relevant to their members. The IASB has responded by creating new mechanisms to incorporate southern input. For instance, the Emerging Economies Group (EEG) was created in 2011 "to further enhance the influence of emerging economies in the development process of IFRSs."[34] This has been reinforced by broader changes in the North–South balance of power associated with the G20 process, as evident in the role of the G20 in calling for such mechanisms, and the match of emerging economies of the G20 (plus Malaysia) with the founding membership of the EEG. One focus of the EEG has been issues related to the fair value measurement standard (which is based on market prices rather than historical cost) in emerging economies where the institutions for producing prices may not be well developed. Addressing this problem will benefit northern actors, such as foreign investors, but southern actors also benefit in reducing problems such as excessive price volatility, errors in valuation, and market manipulation.[35]

Looking at the process to create the IASB's *IFRS for SMEs*, issued in July 2009, in particular, provides some insight because of the importance of SMEs in these economies. In studies done on this process a number of southern TFAs were active throughout the drafting process. ECSAFA, the ASEAN Federation of Accountants, the Inter-American Accounting Association and the Confederation of Asian & Pacific Accountants (CAPA) all responded to IASB drafts or discussion papers in this period clarifying their concerns and suggesting alternatives (Ram 2012; Singh and Newberry 2008).

The IASB was seeking to enroll more professional bodies from the global South in the process and so it produced more linguistic translations of these exposure drafts (English, French, Spanish, German, Polish, and Romanian) then it had done with previous consultations. The association also engaged with some accounting organizations in some global South jurisdictions in their field testing to see how the standards worked in these environments, but in the end decided a universal standard for both global North and global South jurisdictions was most beneficial (Ram 2012). However, there are still geographic asymmetries that occur in both representation and membership which can differentiate those who are represented in the standard-creation process from those who end up complying with the standards. In the process that created the Accounting Standards for SMEs, there were significantly more responses from those in the global North, than the global South. Ram (2012) also notes that despite the wider translations, the exposure draft of the SME standards was not translated into any Asian or African language and that there were no questions asked that were specific to developing countries.[36]

The second way southern TFAs are enrolled in the global assemblages is the interpretation and promotion of global initiatives within their respective geographic areas. By looking beyond membership at the larger associational assemblage for accounting, a number of spaces where the *intéressement* and enrollment of southern actors are important in creating and implementing accounting rules become visible. It also highlights that the assemblage that emerges between these different associations and relevant multilateral efforts is not just a passive, top-down phenomenon.

In its simplest form, one can look to the signaling that occurs through vocal and written expressions of support and acceptance or rejection. In this case the Pan-African Federation of Accountants (PAFA) has become the most recent regional accounting TFA to adopt the international standards in accounting and auditing, including IFRS and the IFRS for SMEs among others, joining most other major associations.[37] In doing this they have utilized their expressive power to try and lend additional legitimacy to the standards and interpretations as well as to influence any national jurisdictions of their members to adopt IFRS if they have not already done so.

This role can also involve dissemination. For example, the ECSAFA ran a project, funded by the World Bank, to purchase 200+ copies of international accounting standards for its membership as part of a goal to coordinate the development of the accountancy profession and the promotion of internationally recognized standards of professional competence and conduct within the region. While working to reinforce linkages between the international norms of accounting and the African region, this project also is a telling activity revealing the importance of capacity building in the global South. It also highlights the importance of written and tangible objects that transmit the proposed common standards in the process of harmonization and stabilization of the assemblage.

Finally, some southern TFAs have also taken a mediator role in how the broader accounting assemblage interacts in their markets. For example, there have been a number of "Train the Trainers" conferences that have been developed and arranged by regional TFAs, including ABWA, ECSAFA/PAFA,[38] CAPA, SAFA, the Arab Society of Certified Accountants (ASCA), and the Institute of Chartered Accountants of the Caribbean (ICAC), with the support of the IFRS Foundation. These multi-day events utilize a workshop format to encourage a greater understanding of IFRS, and focus on these in relation to SMEs in particular.[39] In this case, the education component of the activity is a clear case of mediating the IFRS, as potentially the presentation, but definitely the discussion or question/answer sessions are modifying the understanding and interpretation of these standards for attendees.

A final interesting aspect that emerges when examining this assemblage is the proactive role taken by ECSAFA to the need to develop SME adapted accounting standards. Although the discussion and early work had started within the IASB, as well as a similar project within UNCTAD, ECSAFA wanted to have some standards in place earlier. As such it created an interim guide for SME financial reporting in 2005. This guideline served as one of the earliest examples of a transnational accounting standard for SMEs. It is also interesting because although it is a simple statement, it also references the larger work in accounting standard setting at the IASB. For clarification on specific rules, it directs the reader (in descending order of importance) to the standards and interpretations of the IASB, most recent pronouncements of other standard-setters who use a conceptual framework similar to the IASB Framework, and finally other accounting literature and accepted industry practices.[40] In this manner, the ECSAFA standard enrolls the work on translation done by a variety of other accounting bodies and experts and ascribes precedence to the work of the IASB. Moreover, when the IASB standard IFRS for SMEs was released years later, ECSAFA became a key regional mediator and mobilizer actively participating in the Train the Trainers program. Former chief executive of ECSAFA Vickson Ncube is quoted in the media as stating, "The countries in the ECSAFA regions have all agreed to adopt IFRS and the IFRS for SMEs … If you want to go IFRS then you have to go IFRS." He continued, "We agreed that adopting IFRSs was the right thing to do and adapting IFRSs was not the thing to do" (Bruce 2011). While this is just a single case, it does highlight that at least in this instance the choice to work with and adopt IFRS was not imposed from above but rather a process where IFRS were initially incorporated into and then superseded a regional initiative.

Returning to the more general discussion of southern TFA roles, it is clear that they are not simply transmission belts for global neoliberal impulses, but exhibit a degree of autonomy and influence. Thus associations serve a key meso-level role in terms of community building through capacity building, harmonization to common standards and advocacy. These different contributions generally occur in three overlapping functions. First, most southern TFAs that are regional in nature have relationships with their relevant regional integration institutions and global assemblages. In turn regional bodies have enrolled, or been enrolled by, TFAs to pursue different functional aspects of regional integration. Although the chapter talked more generally about different association roles across a variety of regions in the global South, it is clear that this transnational level of organization, and the assemblages that form it, are still important sites of construction and governance.

Second, it was also apparent in the study that southern TFAs have taken on a functional role in capacity building through a variety of market- and community-building projects. Throughout the chapter we have seen numerous examples that highlighted some of the roles that these associations have taken on to "build" or harmonize the financial markets in the global South. These actions result in objects, like market tools, business techniques and tools for members, as well as training courses or programs. These roles highlighted the independent role that these TFAs could play, including enrolling other multilevel actors into their projects.

Finally, it is clear that southern associations have a multifaceted relationship with global assemblages and global TFAs. In some cases this manifests in linkages based on funding or expertise, in other cases it involves the greater inclusion or incorporation of southern members into the structures of global TFAs, and in still others it involves their enrollment as mediators of larger global initiatives. In the former situation, these funding relationships can be more permanent and general. However, for many associations they come into being for a particular project or program and disappear once it is completed. In the middle situation, increasing the breadth of membership to become more global has potential advantages for global TFAs and any southern members in terms of claims of legitimacy and scope. Most prominently we see southern TFAs take on a mediator role as they promote the adoption, greater understanding and implementation of global standards like the Basel capital adequacy accord and others. The case of accounting has been elaborated here to highlight the complexity of these different links. However, understanding all these different aspects of associational activity in the global South requires a return to the organizing concepts that have been drawn out through the book: assemblages, functionality and power.

Assemblages, functionality and power

Throughout the chapter, associations in the global South utilize a variety of linkages to achieve their goals through a collection of sectoral, regional, and global assemblages that overlap and mingle creating a complex, diversified associational landscape. This runs counter to the idea of a unified dominance approach, which would see these TFAs in particular as having little role and, as in Chapter 3, it would be likely that they would also display traces of this homogenization as they automatically transmitted this centralized power. There are cases where there is a general trend among these TFAs, particularly in their general acceptance of global regulatory standards. Yet it is also clear in the variety of activities undertaken and the low level of coordinated activity between the different regional bodies or TFAs within a single region that there is more independence among TFAs than a unified approach would necessarily capture.

Examining the assemblage from this starting point has revealed and highlighted the complex relationships that can be missed when one is focusing on only the broader story of how global finance has emerged. There are many variations in how the assemblages form and the power of different groups in them throughout the global South. However, three general assemblage elements are worth discussing briefly. First, outside of the last chapter's focus on Europe there has been little attention paid to the role of regional integration institutions, like the South African Development Community (SADC), the ASEAN, or the OAS. Yet, the chapter has shown that many regional integration bodies have engaged actively with some of their related regional TFAs. These TFAs not only come from the banking sector, which are the most common, but different groups have also developed formal relationships with insurance, securities or accounting TFAs. This adds complexity to any discussion of enrollment because these TFAs are in many cases actively enrolled by the regional body and then they must enroll the members of their financial community as well. Yet, regional bodies are not the only, or in some cases even the main, link for associational activity. Care should be taken not to overstate their influence as some of the southern TFAs are not actively linked with their regional counterpart.

Second, the consultation or advocacy relationship between TFAs and governmental actors is still present. However, international and northern public bodies and development agencies tended to fulfill a role of financial or expert partners with these TFAs. They are important sources of funding and more general support to capacity building programs. A number of examples in this chapter show how the World Bank and other international actors have enrolled TFAs, or have been enrolled by them, to achieve the mutual goal of increased capacity and stability in these financial sectors. The southern associations vary dramatically in the formality and strength of their connections to these bodies. The importance of financial support and the limited means of members in many of these TFAs do provide some indication that their scope and autonomy can be limited unless they actively pursue enrollment strategies. COSSE's public referral to the search of financial donors to complete their project is one example. Another sign is found in Fortin *et al.* (2010), who argue that the Inter-American Accounting Association is an important forum for dialogue that could potentially play a very productive role, but suffers from several weaknesses that limit its impact, including concerns about funding. These links also highlight important differences in material power, as the incorporation of these bodies is often related to resources, but through a process of enrollment rather than a more coercive form of power.

Finally, the financial assemblages in the global South do not exist separately from broader global finance and it is clear that southern TFAs each directed some of their resources and energy to supporting the spread and implementation of global regulatory initiatives into their markets. Yet this relationship is not unidirectional and one would be wise to remember that these bodies are not simply conduits or intermediaries. Southern TFAs have all built relationships with global counterparts in their sector. Many global TFAs have sought the inclusion of southern members to increase their legitimacy and geographic range. In these practices, some southern TFAs have developed links to the regulatory process through committee work or voting. Yet, nuanced understanding of these assemblages is still needed as the power of each group, particularly relative to their northern counterparts, means that holding a position or a vote does not necessarily translate into an equal amount of influence. In fact the assemblage approach utilized here allows one to highlight the agency of southern TFAs as mediators in the practices of dissemination and education. As the accounting case highlighted, six regional TFAs in the global South have taken on an active role in how accounting standards are presented and interpreted in that arena through their education and training programs, like working with the IFRS foundation on the Train the Trainers project.

Turning to functionality, there are also some interesting variations that emerge by looking specifically at associations in the global South and southern TFAs. First, this associational activity has generally focused on a functional goal of capacity building that is not as prominent in more developed northern and global markets. In this environment two main functions discussed separately throughout the book—market contouring and community building—fulfill a very similar broad functional purpose. This interest in capacity is not particularly surprising if one considers that most of these areas are still in the process of building a modern financial system, although there is obviously variation in the level of development between different jurisdictions. The programs, projects and objects created to harness this missing capacity are a reflection of the needs of each sector and members, and they can range from the development or provision of certain market tools to increasing members' internal capacity through training and education. Moreover, the associations that have a formalized relationship with their regional institutions are also likely fulfilling a functional need for those bodies in terms of consultation or expertise.

It is also clear that functional differentiation and organizational functionality, explained in Chapter 2, are also important features of associations in these arenas. Even more so than at the international and European levels, there is often only one association for each sector or financial activity in each region, particularly if we break the continent of Africa into its regional economic integration patterns. Each one of these bodies then serves an important functional role for its members and the industry in its respective region. There are cases where different associations can undertake similar roles despite being in the same region and sector. For example, both the Asian Bankers Association, a service council of the Confederation of Asia Pacific Chambers of Commerce and Industry (CACCI) created in 1981, and the ASEAN Bankers Association, founded in 1976, have also taken an active interest in training and education functions. The former association offers a collection of training courses and seminars, in some cases through a member or partner organizations, on a broad range of topics in banking as part of an emphasis on professional development.[41] The latter coordinates its education and mentoring activities through the Permanent Committee on Banking Education.[42] The coexistence of these bodies is a reminder that their roles and activities are not simply emerging to meet predetermined functional imperatives. Each is also an active political decision by the associations, intended to reinforce their existence and importance to their members, strengthen their financial market and/or guide how their markets will develop into the future. In this case, the memberships of both organizations are distinct, with the ASEAN Banking Federation representing the national banking associations in the ASEAN region and the Asian Bankers Association serving as a direct membership organization for banks in the Asia-Pacific region.

Throughout the book we have also drawn attention to the role of organizational functionality, the claim that a TFA will develop particular organization structures to achieve their functional goals. Due to their size most southern TFAs tend to have less organizational complexity than a major global body like the IIF or the IASB, or even often than a well-established northern TFA. Yet one can see organizational functionality still occurs when needed. TFAs like FELABAN, COLAC and FAIR each have adapted their structures or developed distinctive subunits to provide their financial or educational services by creating either distinctive branches or independent bodies when necessary. Moreover, it is worth considering whether the lack of complexity within the organization is addressed through the funding or expertise linkages that these organizations build with international organizations or other TFAs.

Finally, it is also clear that power plays an important role in the assemblage and how a TFA interacts with it. Participation in an assemblage does not necessarily represent a universal market imperative. Instead it involves the exercise of power in active decisions or practices. The focus on capacity building is an indication of the importance of *power to* at the broadest level. Associations in the south are seeking largely to enhance their members' power to be better engaged in their national and regional markets, and in turn increase their capacity in relation to global markets. One can see this in the education and training activities, as well as business practices like audits or program evaluation that southern TFAs provide with the goal of improving the internal management and practices within each member. We have also seen indications that the power that each TFA is able to rally to their objectives is painstakingly produced and dependent on the human, technical and ideological resources available. The asymmetries of power in the world of TFAs contribute to northern associations and global associations having a greater role in advocacy and rule development at the global level than southern associations. Efforts within their own regional assemblage may be more successful, but they still must enroll the necessary actors and objects to fulfill the functional needs of the project in question.

Unsurprisingly enrollment as an expression of power is also clearly important to consider in this environment, particularly given the prominence of financial and knowledge-based partnerships seen in many southern TFAs. Many southern TFAs have limited funds, capacity and other resources to take on extensive or capacity-building projects on their own. Yet, by enrolling different international TFAs, development funding agencies, international and regional organizations, and even national associations and governments, these TFAs can secure the necessary components to pursue their goals. At the same time a second aspect of enrollment is occurring as most of these same TFAs are also enrolled in assemblages integrally connected to global TFAs or regulatory bodies. This is most apparent when discussing accounting standards, as the breadth of actors present and the reach of the standards around the globe created links with southern TFAs at multiple points. Due to this relationship, it is difficult to examine the impact of southern TFAs without nuancing our explanation of the power that they possess and how it is utilized.

The need to be concise and focused has meant that some TFAs have received little attention. However, the chapter has drawn out the major trends in southern TFA activities and highlighted numerous ways that associational roles in the global South reinforce the usefulness of the three organizing concepts utilized throughout this book: assemblages, functionality and power. Moving into the next chapter, the focus is shifted to the final group of TFAs and related assemblages to be examined: those that are not primarily seeking to advance neoliberal market principles through their activities. Instead, this alternative group of associations, particularly as they begin to appear more like civil society groups, is focused on either providing alternatives to mainstream financial norms or explicitly local social capacity building through instruments like microcredit and cooperatives.

8 Inclusion and differentiation

TFAs and the pursuit of social and cultural ends through finance

There is a tendency to view finance as a homogenized activity and financial actors as having similar understandings about what makes an efficient and effective market. Throughout this book, however, we have consistently shown that there is more diversity in financial activity and in the interests of financial actors than this perspective allows. Chapters 6 and 7 focused on examining variations in TFA roles and impacts in the European region and global South, respectively. This chapter will now shift to examine the assemblages and TFAs that explicitly link finance with the pursuit of other social or cultural goals.

The inclusion of an explicitly social purpose runs counter to most arguments about financialization, which say that market expansion tends to occur without reference to social implications or goals. The continued explicit retention of these goals by some TFAs is a reminder that a unified dominance model that focuses too heavily on financialization is problematic for understanding the complexity of actors, instruments and practices active in global finance. That said, it would be equally as problematic to see these sectors as anti-finance because most of these groups are not generally opposed to expansion or use of different financial instruments provided they do not undermine the social goal in question.

Each of the sectors discussed in this chapter navigates a tension between their financial practices and their overarching social commitments through distinctive assemblages of actors and objects. Therefore, TFAs in these areas engage with the mainstream financial system while protecting and maintaining claims to distinctiveness at the same time. In the rest of this chapter, three areas where the roles of finance and financial organizations are rearticulated to include social objectives will be examined specifically: Islamic finance, social investment, and financial inclusion through banking initiatives and microfinance.

In examining these areas, we will again see that the assemblage approach is able to capture the diversity of roles that TFAs undertake and the necessity of the linkages they have with a variety of other public and private actors to fulfill their functional tasks. The assemblage approach is particularly useful in understanding these cases because it can capture the multiple ends and goals that can be met by the same practices. For example, efforts to enhance a social goal like financial inclusion will also serve to expand financial services into increasingly more isolated areas of society and increase the market presence of members. Moreover, in this discussion we will also be able to see that while functional needs have driven TFA activities, power and political contestation also have important influences on these decisions.

Islamic banking and finance (IBF)

Islamic finance emerged in the medieval era as tradesmen in the Middle East established systems for financial practices that were compliant with Sharia'h law (Schoon 2008). Although the more conventional banking and finance structures displaced it for a time, by the late 1960s modern Islamic banking had begun to re-emerge. In the last three decades in particular we have seen a resurgence of interest and opportunities in IBF through the development of distinct financial bodies and, more recently, the increased involvement of the global financial players like Citigroup, HSBC, Goldman Sachs, BNP-Paribas, UBS and Lloyds TSB, among others. In the process this niche sector has spread to over 75 countries. It is estimated that there was more than US$1 trillion in Islamic assets in 2010, and that amount is likely to double in the next three to five years (Zeti 2010). At the same time as this growth we have also seen the development of a collection of TFAs and public/private bodies for Islamic finance that have taken an active role in attempting to harmonize and enhance the sector. This section will show that these associations serve an important overarching role as interlocutors between their members and the larger Islamic finance assemblage, as well as between the Islamic and conventional financial systems.

Although it will not be discussed in detail here,[1] the basic differences between this sector and conventional finance results from Islamic finance's compliance with Sharia'h law. This different foundation brings with it a prohibition of certain financial arrangements. In particular, it forbids financial contracts based on *riba* (interest or usury), *gharar* (uncertainty), or *maisir* (speculative behavior). Furthermore, it requires that financial instruments and transactions also have a basis in the real economy, or material finality, which is tied to broader arguments that profits need to be fair-value and made in a manner that creates some form of social value-added (Zaher and Hassan 2001: 158). These restrictions do not inherently prohibit the development and use of financial instruments but they do create different functional requirements for any financial system that emerges. The necessity to comply with these larger principles also alters the range of financial instruments and the methods of financing available to those committed to Islamic principles, as the use of interest is central to the conventional financial system we have examined thus far.

Throughout this book, most of the efforts of TFAs we have discussed have been driven by a larger goal of greater harmonization or convergence across the global or regional space. TFAs for IBF, however, must also navigate a second, arguably more central, tension. The emerging assemblage encourages the complex pursuit of greater convergence of diverse jurisdictions and interaction with other sectors of finance but, at the same time, it also requires the active rearticulation of the differences that constitute Islamic finance in the first place. Even in situations where the assemblage becomes more global through expansion of its geographic boundaries, it must still undertake important coding of boundaries and identities to reinforce the distinctiveness of Islamic financial bodies and practices. In essence, Islamic financial institutions must navigate between a "commitment to keeping their distinctive character and their desire to expand business through deeper integration into global markets" (Smith 2004: 4). These tensions in both the governance initiatives and market actors mean that TFAs also must navigate a complex relationship in multiple financial assemblages, particularly those that are specific to Islamic finance and those that encompass the larger financial system. As Maurer argues, Islamic and conventional finance are "constituted as separate objects by their very interconnection and their attempts to purify their constant hybridization" (Maurer 2005: 40).

The assemblage of transnational governance in Islamic finance initially emerged more than three decades ago when the Organization of the Islamic Conference's (OIC)[2] interest in this area led to the 1981 publication of the policy document, *Promotion, Regulation and Supervision of Islamic Banks* (Bacha 1999). As the complexity of the sector has increased, expanding to include insurance (*takaful*), securities (*sukuks*) and more complex banking arrangements, there has been a concurrent growth in the concern for appropriate governance for the IBF sector. This governance system, like the one in conventional finance, is inherently a multi-level/multi-actor process, traversing from individuals, particularly the enrolled Sharia'h scholars, through internal corporate governance, market discipline, national supervisory and regulatory structures, and international institutions (conventional and Islamic). Unsurprisingly, there are a number of international associations that cater specifically to Islamic financial institutions. At the transnational level, identifying IBF-specific TFAs can be difficult as the various institutions blend easily with governmental actors. In this situation, the decision we have taken is to include the public-private organizations like the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB), private organizations like the International Islamic Financial Market (IIFM), (General) Council for Islamic Banks and Financial Institutions (CIBAFI), and the Arbitration and Reconciliation Centre for Islamic Financial Institutions (ARCIFI), as well as some commercial service firms like the International Islamic Rating Agency (IIRA), the Liquidity Management Centre and the Dow Jones and *Financial Times* Islamic indexes. As we look more closely at this collection of actors, two features become apparent. First, that the role of these TFAs is essential to understanding the harmonization and expansion of the global IBF market. Second, we can see the importance of functionality and power in the different roles these actors take on to expand and harmonize the sector.

Looking first at harmonization through standard setting, a number of TFAs have taken on key roles in this process. One of the first associations to take on international standard setting in IBF was AAOIFI, which emerged from the annual meeting of Islamic banks in the Islamic Development Bank in 1987 (Smith 2004). This public-private organization, which was formed through an Agreement of Association signed in February 1990 and registered in Bahrain in March 1991, is currently composed of over 200 government and private-sector members from 46 states.[3] AAOIFI is an "autonomous non-profit making corporate body" primarily interested in setting standards for accounting, auditing, ethics, governance, and Sharia'h interpretations for the Islamic financial industry. In pursuit of these goals it also undertakes research, training, and disseminating information relevant to Islamic finance. In its standard-setting role, AAOIFI has developed and published 36 accounting, auditing and governance standards and 30 Sharia'h standards through its member Accounting and Auditing Standards Board or its Sharia'h Board (not more than 15 members, who are chosen from the "Fiqh scholars who represent Shari'a supervisory boards in the Islamic financial institutions that are members of AAOIFI, and Shari'a supervisory boards in central banks").[4] These standards reinforce the distinctiveness of Islamic finance, including the inclusion and proper use of a Sharia'h board. They also reinforce the boundaries of identity for IBF work to ensure the continued adherence to IBF's social and cultural goals.

However, IBF does not occur in a bubble as interactions with conventional finance occur on multiple functional fronts. Unsurprisingly, TFAs also play an important role as nexus points between these two sectors. Looking at transnational standard setting for IBF, it is clear that both AAOIFI and the Islamic Financial Services Board (IFSB)[5] serve as key points of contact with the conventional financial governance assemblages as well. The IFSB is a standard-setting institution. Based in Kuala Lumpur, Malaysia, it was established in 2002 by central bank officials, governors, and monetary authorities with the support of the IMF, AAOIFI, and the Islamic Development Bank (Turk Ariss and Sarieddine 2007). Smith goes as far as to argue that the very creation of these private and public international institutions was expressly to integrate IBF into the global conventional financial markets (Smith 2004: 2). Even if we consider this statement too strong, engaging with the conventional financial governance sector is a clearly articulated function that these bodies fulfill. For example, the *Ten-Year Framework* for the industry's development formulated jointly by the Islamic Development Bank's Islamic Research and Training Institute (IsDB/IRTI) and the IFSB in May 2007 states that "the integration of the IFSI [Islamic financial services industry] into the international financial system will largely depend on the credibility of the work done by the IFSB, AAOIFI and other standard-setting organizations" (IsDB/IRTI and IFSB 2007: 8).

This interaction between Islamic and traditional finance also occurs through a variety of activities. First there have been explicit attempts to build awareness between the two industries by AAOIFI and IFSB. Both organizations co-sponsor multiple joint events with conventional financial governance institutions. In the past, the IFSB has held joint events with the Institute of International Finance, the Bank for International Settlements and the World Bank, among others, where conventional financial regulators were active participants or speakers.[6] AAOIFI, for its part, organizes an annual conference in Bahrain on regulatory and Sharia'h issues which is co-sponsored by the World Bank.[7]

The collaboration between these TFAs and larger, conventional financial assemblages also results in efforts to refine the generalized, transnational regulatory efforts for the sector. For example, each organization has worked with different international regulators to adapt international standards to fit within Islamic principles. Concerns about the applicability of the Basel capital adequacy accords to Islamic finance have been tackled by both AAOIFI and IFSB at different points in time. In 1999 AAOIFI issued a standard on capital adequacy that primarily recommended that risk-sharing account deposits not be included in capital (Grais and Kulathunga 2008). However, they did not initially address any of the distinctions that were not captured in financial reporting. In securities regulation, IOSCO's Fact Finding Report asserts that:

> Islamic financial institutions like AAOIFI and IFSB, are well-positioned to play a significant role in facilitating the exchange of views and to spearhead the formulation of potential recommendations with the aim of assuring that regulations developed for the Islamic capital markets are compliant with IOSCO's Objectives and Principles.
>
> (IOSCO 2004: 71)

However, this interaction with the conventional financial system extends beyond regulatory cooperation to some elements of market contouring. Another key space of interaction between IBF and the conventional financial sector occurs through the International Islamic Financial Market (IIFM). Established in 2002, this TFA is focused on the development of the global Islamic capital and money markets through a variety of initiatives. In particular, the *ISDA/IIFM Tahawwut Master Agreement* is a joint project with the International Swaps and Derivatives Association that is a base contract that can be used in the Islamic market, similar to the way ISDA's Master Agreement is used in conventional finance. Beyond this standard, a Memorandum of Understanding (MoU) was signed with the International Capital Market Association (ICMA) at the Sixth Annual Islamic Finance Summit, held in London at the end of January 2007. Its aim is "to facilitate joint work in the development of international Islamic financial markets." In particular, this collaborative work focuses on the sukuk market, collaborating to develop standardized contracts, documentation and market practices.[8] While the focus is on regulatory and market-based inclusion, it is interesting that the necessary side effect of these cooperative efforts is that they also reinforce distinctions between IBF and the conventional financial sector. In essence, these efforts to maintain the "Islamicness" of these contracts and actors are necessary to create the spaces within the larger financial system for IBF institutions and to sustain the distinctness of the IBF market.

The power of these standard-setting roles also extends beyond the formal sites of interaction as standards are also key textual spaces where the construction of similarity, difference, compatibility, and conflict are made visible. So the context of the textual standards and interpretations that result are also important. In creating distinct standards for Islamic finance, these bodies at the minimum formalize these differences between IBF and the conventional sector but they also construct the boundaries of the IBF assemblage because they delimit, within reason, what qualifies as a legitimate Islamic instrument, supported by rulings of Sharia'h boards. This means that the TFAs who create them have a certain amount of constitutive power.

One example of AAOIFI's constitutive power can be seen in its February 2008 declaration on sukuks.[9] In this statement, the organization, or more specifically its Sharia'h board, ruled that certain sukuk structures were not legitimate as they were outside the limits of what was acceptable Islamic financial practice. In this case the committee was primarily concerned with the ownership of underlying assets, as well as the use of repurchase agreements that guarantee an issuer will buy the bond back at face value at maturity in *mudaraba* and *musharaka* sukuks, which have an obligation to share risk.[10] This ruling clearly marked a new interpretation of the "Islamicness" of a pre-existing IBF product, particularly given one scholar's estimate that approximately 80% of all sukuks that were currently being issued would not be Islamic products under this ruling. Moreover, some have linked this shift in legitimacy with real shifts in the sector. In 2008 Moody's Investor Service announced that the sukuk market declined more than 50%. In its report on this topic in January 2009, the main explanation for this reduction was the global credit crisis but there were also some concerns attributed to Sharia'h compliance.[11] Furthermore, since the ruling there have also been attempts to create and issue equity-based sukuk structures that would meet the AAOIFI standards. In this sense, the standard setting of AAOIFI has not only constrained the functions of the IBF market, but at least partially it has constructed certain products and actions as unacceptable and encouraged market practices to create a variation on this financial instrument that would be seen as legitimate.

To conceptualize the potential importance of these standards fully, one also needs to look beyond the lens of compulsory power, which limits the power to "an actor controlling another to do what that other would not otherwise do" (Barnett and Duvall 2005b: 39). This former type of power would only be applicable in Bahrain, Sudan, Jordan, Qatar, Dubai, Syria, and Lebanon, where AAOIFI standard adoption is mandatory. In other jurisdictions, including Malaysia, Saudi Arabia, Singapore, and South Africa, various AAOIFI regulations are used as a guideline by the regulators.[12] For implementation national regulators have to use their legal force to create official regulation (Karim 2001). Therefore, the influence of AAOIFI's ruling on sukuk, and the other accounting, auditing, and Sharia'h standards can also occur through these more informal voluntary structures. In these other environments, the construction of AAOIFI itself, and its distinguished Sharia'h board, as experts in this field, is an important part of the spread of their standards.

In the cases above we can see the importance of assemblages and functionality in attempts to develop and harmonize standards for IBF. However, the roles of TFAs in this sector are more multidimensional as they also relate to the power dynamics in the sector. First, we can see some elements of *power over*, through a number of market services provided by different TFAs, particularly dispute settlement for members of the Arbitration and Reconciliation Centre for Islamic Financial Institutions (ARCIFI) or credit ratings done within the International Islamic Rating Agency. However, there are significant activities that focus on enhancing IBF actors *power to* sustain or enhance their market roles. One can look at the multiple efforts to enhance IBF through education and training initiatives. The programs run in concert with conventional financial governance bodies that were discussed earlier in this chapter, but there are many more events run entirely within the industry. The IFSB is mandated to play an active role in highlighting issues relevant to the governance of the Islamic financial sector through international conferences, seminars, workshops, meetings, and other events staged in many countries across the globe. AAOIFI also runs conferences and seminars, undertakes research, and publishes periodic newsletters and reports to "disseminate the accounting, auditing, governance and ethical thoughts relating to the activities of Islamic financial institutions and its application."[13] Moreover, these educational activities can range from quite broad conferences addressing the nature of the entire industry to very specific seminars that address a particular aspect of IBF.

There has also been a focus on training professionals to meet better the needs of the industry, which will also likely have a standardizing effect on the industry. AAOIFI has developed professional designations—the Certified Islamic Professional Accountant (CIPA) and the Certified Shari'a Adviser and Auditor (CSAA) programs—which are intended for professional accountants that currently are or will be involved in the Islamic financial services industry.[14] These programs, along with others run by universities and national bodies, are intended to address the perceived lack of qualified IBF-specific professionals that leaves Islamic financial institutions to recruit personnel from among conventional bankers and financial professionals. However, through these programs, the knowledge base and business practices in the field can begin to be standardized. Through the CSAA program a reduction in the heterogeneity in applications of Sharia'h rulings may be possible as this program works to provide the "requisite technical understanding and professional skills on Shari'a compliance and review processes for the international Islamic banking and finance industry."[15] These different features of the assemblage and the different activities of the various TFAs in IBF are important to understanding its connection to global finance.

Social investing

In the last two decades the idea that investment decisions could combine a commitment to positive social impact while attaining some economic return has become more visible in the financial sector. The idea of social economy is often seen to involve replacing purely economic understandings of profitability with the idea of social utility (Mendell 2000: 101). From this perspective, social investing makes social goals that focus on environment, community or culture an important part of the investment decision. Although there is no single definition of social investing, in essence, socially responsible investments are financial instruments that enable "investors to combine financial objectives with their social values" (Munoz-Torres *et al.* 2004: 200). The relative importance of these two aspects and how best to achieve the social goals through this process remain open areas of debate, however. Despite these debates, we can now see a contested assemblage, and an overlapping social movement, which have emerged around social investment.

The market building and contouring aspects of social investment are largely pursued through the development and implementation of private voluntary standards for practice, including the emergence of multiple reporting schemes that have emerged over the last two decades.[16] These projects include efforts through the private bodies like the Global Reporting Initiative (GRI), CERES, the Climate Disclosure Standards Board (CDSB), AccountAbility, and the Equator Principles, among others. Although assessing the effectiveness of these various principles in altering the behavior of organizations is difficult, there are some broad indications that these processes do matter (MacLeod 2007: 2010). First, the increase in the number of companies that have agreed to be part of some form of social and environmental reporting scheme is one indication of at least modest success. All of these associations have seen their number of participants grow over the last 10 years in particular. This trend fits with the findings of a recent study, which found that more than 3,000 global firms now regularly issue reports on their social and environmental practices (Vogel 2010). Moreover, the socially responsible investment market has clearly grown over time as the market size has increased (Hill *et al.* 2007; Stone 2001). Roughly 11% of US investments and 17% of European investments have some social responsibility component (MacLeod and Park 2010: 61).

Over the years, TFAs and other private associations have been an important part of understanding these reporting initiatives, as they are key sites of institutionalization within the broader assemblage, particularly through their efforts to influence the practices of investing. Each of the above bodies has developed their own set of standards and principles for reporting which incorporate different combinations of social or environmental impact measures into their larger reporting scheme.

Yet they do not work unilaterally as effective implementation of any of these projects requires a large and diverse assemblage of different actors. Given this need, it is not surprising that most of the reporting schemes mentioned above actively enroll governmental actors, businesses, institutional and individual investors, NGOs, experts and other stakeholders into the assemblage. These connections can involve the endorsement and cooperation of public bodies at the national and international level. For example, one of the more prominent associations in this field, the GRI, was officially recognized as a collaborator by UNEP in 1998 and its revamped guidelines were one of only two initiatives mentioned in the declaration at the end of the World Summit for Sustainable Development in Johannesburg in 2002 (Miles-Hill 2007).

This need for a diverse range of actors is also reflected in the make-up of many of the organizations. The body that most resembles a pure TFA is the Equator Principles Association. Launched in June 2003, the Equator Principles focused specifically on the environmental and social issues in project finance and were developed by four major international banks and subsequently adopted by 73 financial institutions.[17] However, most of the other TFAs have a variety of actors incorporated into their structures, including market actors, NGOs and in some cases governmental bodies. The Equator Principles themselves were modeled on criteria developed by the World Bank (Wright and Rwabizambuga 2006; MacLeod 2007: 241). All these associations, even if they do not solely comprise market actors, serve key functional purposes in attempts to encourage greater social investment.

First, most of these bodies act as important forums where the codes and other aspects of social investing are elaborated, discussed and constructed. These serve as central nodes where the different actors and objects in the assemblages come together to build a commonly agreed foundation for future action. At the level of general purpose, we can see this role in the example of the CDSB, which sees its role as a forum for collaboration in addition to its Climate Change Reporting Framework.[18] Moreover, this function gets elaborated into specific practices and institutions, generally some kind of reflexive development process incorporating a variety of actors. The GRI's *Sustainability Reporting Guidelines*, for example, are developed through a complex multi-stakeholder dialog.

Second, some of these bodies also offer forms of education to issuers, users or both. The GRI has a variety of learning and support projects geared at all different aspects and actors in the assemblage. CERES, on the other hand, offers a collection of webinars and podcasts, as well as fee-for-service Trustee education offerings.[19] Finally, AccountAbility has actually developed three practitioner certifications under its Sustainability Assurance Practitioner Program. This collection of certifications was developed in partnership with International Register of Certificated Auditors (IRCA) to go along with the association's AA1000 series of standards.[20]

The third function is more specifically related to the standards after they have been developed, particularly providing locations for disclosure of reports and encouraging corporate compliance more generally. The creation or maintenance of databases for public disclosure of individual reports is a key aspect of what reporting can provide to social investing. These disclosure practices often utilize technology in order to provide investors with information that will help them determine where to invest their capital. This focus on transparency is tied to abstract understandings of the potential investor and their desire "to make informed decisions; moreover it is based on the notion that stakeholders would make different choices if they had less complete information" (Dingwerth and Eichinger 2010: 79). To make the member reports readily available online, the GRI has developed a Sustainability Disclosure Database, the Equator Principles make the corporate reports available from their main website, and AccountAbility utilizes the website www.corporateregister.com. In addition to public disclosure, these groups, like CERES for example, generally also use the possibility of public withdrawal of their endorsement of a company as a way to improve their compliance (Pattberg 2009: 230).

Finally, these organizations can play a more constitutive role in this assemblage through knowledge harmonization and dissemination. The founders of the GRI, for example, had a vision of their guidelines as living documents where:

> the process of creating and evolving the guidelines would mobilise a wide range of actors who had not previously thought of themselves as members of the same political and policy network, would institutionalise a discourse among them, lead to new norms, practices and language, and facilitate the emergence of new understandings of corporate and collective responsibility and accountability.
>
> (Szejnwald Brown *et al.* 2009: 190)

Interestingly, Szejnwald Brown *et al.* (2009) argue that the variety of criticisms leveled at the effectiveness of GRI standards have tended to focus more on instrumental concerns with the type, quality and reliability of information, rather than on whether they had been successful at this goal of institutionalizing discourses, norms and language in these areas.

These knowledge-based implications also emerge in two key practices. First, the indices and standards serve as important tools in their own right as they articulate and construct the practices that are considered essential for meeting the social and environmental goals. They establish a normative framework for companies to operate in, while at the same time standardizing the format, content and transparency of their reporting practices. Second, these bodies also serve as more generalized sources of knowledge in the broader community. For example, CERES and others attempt to mainstream corporate environmental reporting through public engagement and an explicit media strategy (Pattberg 2009).

While the vast majority of TFA effort occurs through these market-focused standard setting functions, it is also worth mentioning a second kind of TFA that also appeared in the area of social investment. The International Association of Investors in the Social Economy (INAISE) was established in 1989 so its members could exchange experiences and disseminate information on tailoring investment policies to also achieve social ends. INAISE members, ranging from banks to venture capital funds to foundations, all promote a variety of social causes in their respective investment strategies including sustainable development, health care, education and other social development, the arts, north-south development and social economy enterprises.[21] Unlike the other transnational bodies discussed, INAISE is not active in training or self-regulatory initiatives. However, one can see it is still focusing its activities on developing the field of social investing. In all of these cases, the associations play a role in the encouragement and contouring of this particular financial market. The area where they appear less active than some other sectors is in efforts in government or regulation-focused advocacy.

Financial inclusion

Another area where social economy goals are combined with financial practices revolves around financial inclusion. Providing banking services to those that are currently excluded from the financial system is a social goal that has emerged globally over the years. Financial inclusion, although a contested term, tends to focus on questions of access to financial services. However, this is not a simple understanding of access as solely physical availability. Instead we must look to the World Bank's discussion of access to finance that also considers openness, usability, financial literacy, as well as practical barriers to access (Claessens 2005; Peachey 2006). This conceptualization makes the discussion of access more comprehensive than simply providing more banking accounts or loans to those on the margins of the financial system. It also opens up a whole range of actions and projects that could be developed to improve inclusion. In this area a diverse range of TFA activities and a well-developed assemblage are visible, which is less regulatory than the previous two sections.

Financial inclusion is seen as an important social goal because of the perceived effects of greater financial inclusion, which occur at multiple levels. First, access to financial services has been associated with economic growth and better income distribution, which ultimately leads to a greater social cohesion and to poverty reduction.[22] On the other hand, it is clear that lack of access to finance contributes to social exclusion. Through greater financial access it is argued that opportunities can be increasingly leveled across society, particularly around practices that have a financial component like access to education and business development. Unsurprisingly, this issue has become a focus of a number of TFAs that link finance with the pursuit of social goals. In order to focus on the diversification within TFA activities, and to highlight variations in their overlapping assemblages, the efforts of two different groups will be examined, in more detail—cooperative and/or savings banks and microfinance. These groups have been important sources of programs and activities that attempt to address this problem.

Financial inclusion through cooperative and savings banks

One area of TFA activity that has attempted to address issues of financial inclusion is the relatively recent initiatives by more traditional financial institutions, particularly savings or cooperative banks. Although they are each distinctive types of banks, the interest of savings and cooperative banks in financial inclusion is understandable given that both groups tend to be dominated by organizations that also have an explicit social component to their missions, or a "double bottom line." The notion of a "double bottom line" is intended to capture the need to achieve business profitability while still meeting their initial commitment to contribute to an improved social economy and society. It is by examining the two most prominent global TFAs in this category, the World Savings Bank Institute (WSBI) and the World Council of Credit Unions (WOCCU), that a number of capacity building initiatives, and their related efforts to increase financial inclusion, become visible.

The WSBI is the key international TFA that has grown to represent savings (and socially committed retail) banks in 92 states since its founding as the International Savings Banks Institute in 1924. While there are variations in different savings bank organization and roles that reflect the diverse nature of their local markets, the WSBI explicitly sees its membership as being committed to "socially responsible banking that brings a return to society."[23] More specifically, its members are retail focused, work through a broad regional network (i.e. undertake proximity banking), and demonstrate a responsible approach to their business and society through corporate social responsibility. Unsurprisingly, a key work theme of this association has been *access to finance*, more specifically access to affordable and convenient financial products and services, which is reflected in their 2009 World Congress titled "Financial Inclusion in a Globalised World: Our Challenge."[24] In pursuing this goal a variety of objectives emerge including increasing financial literacy, encouraging inclusive financial sectors, effectively incorporating international remittances into the formal finance system, addressing savings mobilization and giving visibility to microfinance.[25] These areas are then developed into projects and practices that members implement in their own markets.

We can see the multilevel development and implementation of one of these projects that has been undertaken recently in savings banks. In 2010, the WSBI partnered with 10 member organizations on a project to double the number of savings accounts in the hands of the poor in those 10 countries. Funded for three years by the Bill and Melinda Gates Foundation, this project is unified around its overarching goal through the coordination of the WSBI. However, we can also see how financial practices vary from context to context as the member organizations have adapted each project to the local environment. Therefore, in locations like Burkina Faso, Lesotho, and South Africa it involves the use of electronic tools like transaction systems and payments cards. In other areas, like Kenya, Tanzania and El Salvador, the focus was placed on expanding or improving access through non-bank, non-postal union organizations like retail outlets. The final group, including Burkina Faso, Vietnam and Indonesia, has focused on improving services offered through post offices, including the incorporation of automated post offices.[26] Interestingly, in these projects one can see the important role played by non-human actants as most of these projects rely heavily on various forms of information and communication technology to provide additional opportunities. The dispersed geographic nature of those individuals that these initiatives are trying to reach make the enrollment of these technical objects an important part of achieving the goal in a number of these markets.

The second major banking TFA that focuses on financial inclusion is the WOCCU, an umbrella organization for financial cooperatives and credit unions. Although they represent a different type of membership than savings banks, WOCCU has a similar stance on financial inclusion, asserting, "all people have the right to affordable, reliable and accessible financial services."[27] Like the WSBI, WOCCU also works to accomplish this goal through a number of different programs in partnership with a variety of funding agencies. However, WOCCU takes a different approach and develops specific technical assistance programs with local credit unions and associations to develop their ability to provide an array of financial services. In the process, it develops specific financial products and services that utilize aspects of microfinance, rural finance and Islamic finance, as the local environment requires, to increase inclusion.[28]

In both these cases, one can see how the motivations for expanding services create economic benefits by reaching a larger membership or market base. However, the social benefits of these kinds of activities should also not be minimized as the projects are expressly linked to expanding social benefits and increasing financial inclusion. As the Consultative Group to Assist the Poor (CGAP) argues, double bottom line organizations "can mobilize savings from poor clients and still be profitable overall. When 'total client profitability' is considered, providing savings may be a real business opportunity over time."[29] In this case, the notion of assemblage serves us well in capturing these multiple purposes as activities are not explicitly limited to having a single impact or playing a single role. As the above activities serve to enhance the economic base of the participating banks and credit unions, they also serve to include more people who had been excluded into local financial and business assemblages.

Microfinance

Another area of finance with explicit social goals that has become increasingly prominent in recent years is microcredit, or microfinance more broadly.

This sector focuses on providing small loans (usually less than $200) and other financial services through microfinance institutions (MFIs) to individuals and groups who are unable to access traditional financial services. Since it started in Bangladesh with the establishment of the Grameen Bank in 1976 by Dr Mohammad Yunus, microfinance has grown to encompass more than 10,000 MFIs in over 60 countries today.[30] Moreover, the field has expanded the initial focus on small loans to the poor (or microcredit) to offer a broader range of services (microfinance), which includes other financial products like savings, insurance, and transfer services among others. What unites this increasingly diverse sector and connects them to the social goal of financial inclusion is a general focus on "bringing financial services to the underserved" (Cull *et al.* 2009: 1).[31]

In 2010 some of the problems associated with microfinance became shockingly evident with widespread heart-rending news accounts of dozens of suicides associated with repayment difficulties experienced by poor borrowers in India. Microfinance in India had grown far beyond its original format, with high levels of foreign private equity investment (an estimated $415 million from 2006 to 2010),[32] deficient lending standards, and very aggressive collections activities. The problems echoed those in the subprime crisis in the US. Political actors and others called for borrowers to refuse to repay their loans, and the public authorities initiated a strengthening of standards. The high interest charges associated with microfinancing and the strong social pressures to repay, which lenders justify with regard to the high risk of the loans, are characterized by some critics as similar to the type of loan sharking that it is supposed to prevent. Nevertheless, there is much evidence that microfinance can be beneficial to poor people when social values are strong relative to commercial incentives, and when it is well governed, a task to which TFAs seek to contribute.

As this market has grown in size and expanded geographically, it is unsurprising that MFIs have increasingly formed national and transnational associations to develop and promote their collective interests. Currently, there are a number of TFAs that focus exclusively on encouraging the spread of microfinance through capacity building and developing harmonized best practices. From global TFAs like Women's World Banking (WWB), PlaNet Finance, the Global Network for Banking Innovation in Microfinance, the MicroFinance Network, the SEEP Network, and the International Association of Microfinance Investors, among others, to more regionally focused associations like Africa Microfinance Network (AFMIN), South Asian Microfinance Network (SAMN), and the Microfinance African Institutions Network (MAIN), these associations undertake a number of important roles in the microfinance sector. Overall, these roles have a tendency to focus on capacity building, training, and the promotion of best practices.

Most TFAs in microfinance provide some capacity-building tools or projects to their members, at a minimum undertaking research and/or information dissemination. However, to various degrees most of the TFAs also undertake forms of direct consulting, training and standard setting. Some associations focus more extensively on the business side of capacity building, developing a variety of tools and funding sources to fulfill these roles. For example, PlaNet Finance has focused on providing technical assistance in financial inclusion, business development services and Microfinance Plus programs, which link microfinance to social development programs. It has set up microfinance programs in over 60 countries around the world in cooperation with a variety of governmental and corporate organizations. In addition, it has adapted its organizational structure to incorporate additional departments and companies including Planet Rating (microfinance rating agency), PlaNet Guarantee (microinsurance), MicroCred (investment company in microfinance), FinanCités (venture capital company focused on deprived urban areas), and PlaNet University (training centre). A smaller example of this kind of TFA is SAMN, which provides technical assistance and financial support to its members.[33]

Other TFAs have focused more on a traditional range of activities which link direct consulting with broader programs of education or standards setting. Associations like WWB and the SEEP Network, for example, place emphasis on developing and promoting training and education programs to their members. Structurally this means that both focus on funding and organizing summits, meetings, training programs and online outreach. Smaller, regional TFAs also undertake training and education functions. The Banking with the Poor Network, for example, runs one or two seminars yearly for MFIs across Asia,[34] while the MAIN runs a couple of MFI executive training programs and seminars each year in partnership with different members.[35]

In addition to education, capacity building has also been undertaken through the creation and promotion of a variety of best practices and other standards. These standards can be quite technical, like the SEEP Network's development of 15 tools and resources (six technical notes, four toolkits, and two guides) for national and regional microfinance associations to improve their capacity.[36] However, they can also focus more on larger best practices. One major initiative in this vein is the voluntary public-private initiative known as the Smart campaign. Under the umbrella of ACCION International's Center for Financial Inclusion, this campaign works with MFIs, microfinance associations and others to implement a common code of conduct for dealing with microfinance clients, known as the Client Protection Principles. Its six principles emerged from a CGAP synthesis of a number of existing codes from different MFIs and associations.[37] Currently a number of TFAs, including WWB, the SEEP Network, the BWPN, and the African Microfinance Network, actively support this campaign along with a significant number of endorsements from microfinance institutions around the world, investors, donors, and individuals.[38]

Providing these important functions is not possible for most of these TFAs in isolation. Just like in the other cases throughout this book, the assemblage approach allows us to see the multiple reinforcing linkages between associations, microfinance institutions, public development bodies, and more recently market actors, that are necessary for many projects. Moreover, when one examines the linkages in the assemblage, one can also see that TFAs are connected with each other through joint projects and other cooperative activities. For example, the Smart campaign involves the incorporation and enrollment of a variety of actors if it is to be successful. Each type of activity discussed has various other autonomous actors in both finance and implementation. When we look at individual TFAs, the variety of these links is apparent.

For example, WWB, which has focused on ensuring that women are effectively served by microfinance since its creation in 1979, undertakes a comprehensive range of activities, including advocacy, research, assisting their member organizations in developing and providing a full range of financial products and training.[39] However, to implement this diverse assortment of activities effectively, WWB has enrolled a variety of different actors into its projects and programs. In 2010 alone the association worked with a variety of external actors to initiate a number of gendered programs or products, including the recent youth savings program with XacBank in Mongolia and Banco ADOPEM in the Dominican Republic which were sponsored by the Nike Foundation's Girl Effect initiative. In terms of training, its Center for Microfinance Leadership, created in 2009, offers education and assessment programs. These include the Advanced Leadership Program with the Wharton School of Business and a coaching program for senior executives with Creative Metier Limited.[40]

Furthermore, the SEEP Network, a large nonprofit microfinance association, focuses on creating learning projects around a range of microfinance issues from best practices to broad inclusion. In this case, a different, yet equally diverse set of links can be seen as it pursues projects in conjunction with the US Agency for International Development (USAID), Citi Foundation, and the Bill and Melinda Gates Foundation. In addition to these partnerships, 46 organizations, national and transnational associations in 71 countries took part in its seven learning grant programs in 2009.[41]

Finally, these links are not unique to larger global associations. The BWPN has had a number of important financial links with Citi Foundation and its 2011 grant was to allow the association to act as a secretariat for the APEC Business Advisory Council's Advisory Group On Financial Inclusion, among other things.[42] The Africa Microfinance Network (AFMIN), which focuses on capacity building of the growing number of national microfinance groups, has worked with WWB, the SEEP network, the UN Development Programme (UNDP), and other development agencies (like the Spanish Agency for International Development Cooperation, AECID) as strategic partners in different projects.[43]

Although there is a great deal of overlap and cooperation in the different roles undertaken by TFAs in this sector, when one looks at the complex assemblages around microfinance, other aspects of differentiation are visible as well. When compared to finance in general, these TFAs are largely united in their focus on encouraging the growth of this financial activity while maintaining its inherent social foundations. However, with a closer look inside the assembled microfinance environment it is also clear that the sector is not as united as one may assume. In particular, the role of commercialization in microfinance has caused a great deal of discussion and debate over the last decade. At the extreme, commercialization of MFIs has been seen in the Equity Bank in Kenya's IPO, on the Nairobi Stock Exchange in 2006, and the 2007 listing of the Mexican MFI Compartamos (Galema and Lensink 2009).[44] Moreover, there has been a number of commercial investment groups that are increasingly interested in microfinance. One TFA, the International Association of Microfinance Investors (IAMFI), focuses its activities explicitly on representing market-driven microfinance investors.

With the increase in commercialization, there has been an intense discussion within microfinance around market-driven initiatives and the involvement of commercially oriented microfinance investors. Some studies have argued that commercial microfinance is problematic for the goal of increased inclusion of the poor because of the increased emphasis on financial efficiency (Cull *et al.* 2009; Galema and Lensink 2009; Hulme and Mosley 1996; Paxton and Cuevas 2002; Lapenu and Zeller 2002). Yet others have argued that commercialization is beneficial, drawing attention to an expanded scale. Woller (2002), for example, argues that the benefits of commercialization in terms of efficiency justify the risk of "mission drift" for MFIs. However, he qualifies this finding by also arguing that there is still a place in the sector for MFIs that are NGOs focused on poverty reduction.

Initially there were significant divides between TFAs about the potential implications of commercialization. However, more recently this tension has settled into attempts to navigate the pursuit of both. Cull *et al.* highlight the basic tension between the social goals of microfinance and the financial motivation in terms of practices. They find that commercialized MFI banks make larger loans on average (four times the median) than non-profit MFIs, but they are able to operate at roughly half the costs[45] per dollar lent ratio. The larger loan size indicates that they are not providing very small-scale loans common in highly impoverished areas but the reduced costs indicate they are more economically efficient (Cull *et al.* 2009). So the quandary for each organization in the sector is how to address these tradeoffs.

Essentially, this tension has led to an active re-articulation of both the financial side of microfinance and its original social goals. In this debate, we see the efforts to construct what microfinance is and how power dynamics between the different groups are articulated. Even with the shift toward addressing both aspects, we can still see variation among TFAs. The Smart Campaign, for example, is based on the *Pocantico Declaration* by 35 of the world's leading microfinance experts in May 2008, which explicitly and proactively asserts that microfinance should remain a double bottom line industry.[46] However, discussion at the 2009 IAMFI-Intellecap Microfinance

Private Equity Investment Forum highlighted that divisions remain about performance metrics and the ability of for-profit business in microfinance to achieve this double bottom line among some investors.[47]

Overlap between these sectors

Although there are a number of areas of finance presented in this chapter, it would be flawed to assume that they are operating in completely separate financial assemblages. Given the similarities in including social goals it is not surprising that in reality each assemblage comes into contact with the others at different points, usually in the form of particular projects or events. For example, microfinance is distinct from cooperative banks, savings banks and social investing. However, there are a number of places where the different focuses overlap. For example, the 2011 INAISE Annual General Meeting is going to be held as part of the Fifth African Microfinance Conference, which is hosted in part by the microfinance TFA MAIN.[48] Moreover, both WOCCU and the WSBI sit on the steering committee for the Smart Campaign along with the microfinance TFA the SEEP Network. Beyond crossed paths, explicit development of joint projects has also occurred, including the development of the *Value Chain Finance Implementation Manual* developed by WOCCU and the SEEP Network. Moreover, with commercialization, an increasing number of microfinance organizations have become registered financial actors, which further blurs the line between microfinance and other banking for the poor initiatives. Microfinance and Islamic finance also overlap with increasing attention being made to the availability of Islamic microfinancial services (Karim *et al.* 2008). Moreover, 2009 marked the creation of the transnational Islamic Microfinance Network by 10 Islamic MFIs to develop best practice in the field.[49]

Not all overlap will necessarily always be cooperative, however. When looking at the increased interest of savings and cooperative banks in financial inclusion of the poor it is clear that there is a space for competition between the different groups to provide services to the underserviced population. Cull *et al.* (2009: 16) highlight that the number of commercial banks extending services to the poor has led to competition with microfinancial organizations in some cases. It is worth acknowledging that this competition is not necessarily a negative for the social goal of these groups, particularly if it expands the range of people integrated into the system and the reach of the social benefits that both groups arguably pursue. However, this competition may put additional strain on the economic goals of each financial body involved.

Assemblages, functions and power

Although each of these areas is distinct in its exact focus, priorities and structures, they are united in their focus on integrating social or cultural purposes with the functioning of particular financial services and markets.

The assemblage approach utilized throughout this book is useful here as it highlights the multitude of distinct assemblages that compose global finance. The need to maintain elements of difference by each of these financial sub-sectors is an important challenge to approaches that see a unified driver of financial activity and expansion, particularly one promoting neo-liberal financial practices. In each of these areas, we can see that there is a distinct assemblage that forms the basis for the financial market and governance system. The assemblage around Islamic finance, with its necessary inclusion of religious principles and scholars, is not particularly useful for the effective functioning of microfinance and vice versa.

However, it is also clear that each TFA in these assemblages interacts with other key interlocutors, forming a complex, ever-changing web of interactions and practices that constitute finance. In this chapter, links have been seen through similar products, like use of Islamic financial products in some credit union strategies for financial inclusion, as well as overlapping goals and projects, like the connections between microfinance and both cooperative and savings banks. In these linkages, the unexpected interactions between different assemblages are quite clear. Moreover, the assemblage approach is also useful in these areas to capture the variety of actors enrolled by the different initiatives that are not present in other financial assemblages. In particular, the active involvement of charitable foundations and NGOs is largely, and understandably, missing in most assemblages around mainstream financial actors in the global North. Yet to understand the impact of TFAs in microfinance or financial inclusion initiatives, one must consider the important role that these bodies play as key financers and supporters to a variety of initiatives.

The importance of functionality is also apparent throughout this chapter, as each area discussed has developed a distinct combination of associational activity and organizational structures to meet the needs of their sub-sector. Looking across these different cases from IBF to microfinance, the interest representation, market building and community building roles discussed in Chapters 4 and 5 are also all clearly present. However, their relative importance varies. In the case of social investing self-regulatory roles are significantly more prominent than advocacy or training. Microfinance, on the other hand, is marked by a combination of standard setting and market capacity-building roles, including training, are prominent. Finally, in the case of Islamic finance, the focus was largely placed in two areas: harmonizing a sector that had developed in multiple geographical areas simultaneously while addressing the relationship with governance initiatives in the conventional financial system. Finally, when there are similar activities where the functions provided overlap, these can lead to cooperative relationships forming between associations regarding particular projects.

We also see elements of organizational functionality in these TFAs. The creation of specialized divisions, funds and training centers in different microfinance TFAs are intended to help manage the variety of different activities that TFAs undertake. The involvement of Sharia'h scholars in IBF

TFA activities also highlights elements of organizational functionality. In the case of microfinance and banking for the poor, again many of the different functions are present. In fact, many associations undertake some combination of all areas.

Finally, it is also clear that the various assembled networks, and the functions of each TFA, are not the simple result of automatic functional imperatives. Instead various dimensions of power have been prominent in the development of each sector. This is particularly true of ideational power that serves to create expressive boundaries of each of these sectors legitimizing their space in the broader financial system and their particular goals. An example of this power is the use of concepts like "double bottom line" financial institutions implicitly to legitimize the inclusion of long-term social goals in determining the effectiveness of a financial organization.

However, within some of these areas power has also appeared in the political conflicts over the proper scope of financial activity within each sector. In IBF, the religious tenets of Sharia'h law are essential to creating exception from conventional finance. However, the interpretation and application of these tenets has also been debated regarding particular financial instruments, particularly the legitimacy of certain sukuks. A similar debate is present in microfinance as the increasing presence of commercialization presents a potential challenge for the balancing of the economic and social goals.

Finally, it is apparent that TFAs in all of these sectors also employ both *power over* and *power to* in their activities. The plethora of training programs, capacity building initiatives and research work in IBF and savings or cooperative banking associations reveal the role TFAs play in expanding the power of their members and the assemblage in some cases. The activities of TFAs in microfinance around consulting and training, the technical assistance programs of WOCCU, and various market-building projects in Islamic finance, each seek to provide more capacity or knowledge to those in the industry. On the other hand, *power over* is not entirely absent, particularly if one looks at the governance initiatives of AAOIFI in Islamic finance. Social investing standards actually incorporate both, as reporting requirements act as a weak form of power over report producers but the report users see their power enhanced effectively to sanction or reward companies that fit with their social or environmental goals.

Conclusion

This chapter has endeavored to show that there are parts of global finance that do not conform with the general trend of financialization. Instead each of these areas creates distinct financial assemblages that are able explicitly to include the pursuit of clearly identified social or cultural goals as a legitimate part of financial activities and practices. However, like the other areas discussed throughout the book, these assemblages are populated with TFAs which take on a variety of roles based on the functional needs of their respective sector and the power relations between actors, objects and ideas within it. Some may characterize all the TFAs discussed in this chapter as vehicles for luring vulnerable poor people away from more authentic community relations into an exploitative global financial system, or as insidious agents for the expansion of finance into environmental or social issues, working against the type of profound transformation that is needed. However, such perspectives are based on the idea that finance operates as a unified all-powerful force, which can only be challenged by an autonomous force working independently against it. The varieties of activities that this chapter has discussed do not support such an interpretation. It is not credible or useful to argue that enhancing the ability of a migrant worker to send money back home to her family, or the ability of a poor student to borrow money for schooling, or the ability of a poor farmer to insure against weather damage, are all comparable to the ability of wealthy northern firms to exploit the financial system in problematic ways. There are meaningful variations in the degree to which financial practices simply work to enhance the wealth and power of financial elites, or to help empower individuals who previously had been excluded from access to any of the benefits that can be associated with financial practices. The roles of TFAs in these sectors, in particular, provide important insights into the assembled, heterogeneous and performative nature of global finance.

9 Assembling wealth and power

Understanding the impact of transnational financial associations

As efforts to reform the global financial system continue, several years after the 2007 start of the crisis, the complexity and significant consequences of the assemblages of actors and objects that together constitute this system are increasingly clear. The ongoing power of private financial actors has been evident as well. This is obvious in the more generalized manner in which private transnational financial markets continue to play their prominent and omnipresent roles, barely diminished, if at all, from the powerful status they enjoyed before the crisis. It is also evident in the more specific influential roles that particular private actors play in lobbying or in governance, as with the involvement of the Institute of International Finance and the International Swaps and Derivatives Association in the Greek sovereign debt crisis of 2012, and ongoing market building through the production of technical information, as with the Wholesale Market Brokers Association's RONIA Rate or the different rates created by the European Banking Federation in partnership with other associations.

Our research has aimed to understand better this power of private financial actors and this book has revealed the incredibly complex and crucial roles played by transnational financial associations—roles that have been seriously underestimated in discussions of global finance. As discussed in Chapters 1 and 2, one of the reasons that TFAs have not been comprehensively examined is that their roles tend to be obscured by the assumptions of most of the major theoretical approaches. These approaches, in looking for a single dominant determinant of developments in transnational finance—such as the market, the capitalist class or the state—have a tendency to see associations as irrelevant, or as simply conduits through which the power of the individual, the elite or individual states achieve their goals. This tendency, which we labeled a "unified dominance model," implies that the relevance of TFAs, if any, is in operating as indicators or neutral transmission mechanisms for forces that originate elsewhere.

In Chapter 2 we developed a theoretical framework that helps make visible the independent impact and influence that TFAs can have. This framework has three themes: assemblages, functionality and power:

- Our *assemblage ontology* treated transnational institutions and the organization of international flows of people and things, such as those in finance, as emerging from the interaction of relatively autonomous networks of humans and objects, ideas and materiality. This involves the type of detailed practical work that TFAs do. These networks may have multiple purposes and linkages, not all of which are oriented towards transnational governance, and they may work at cross-purposes or be in conflict with one another. Nevertheless, their interactions can produce an "agentic swarm," to return to Bennett's characterization, where humans and objects interact to produce an effect, trajectory or an emergent causality.
- We defined *functionality* as the constraints on actors and objects that are involved in the pursuit of a particular purpose. While objects come with certain "affordances" that make them more or less suited to particular tasks, these do not by themselves automatically impose requirements on humans—rather the process by which constraints are produced involves interaction with a community of humans and objects, including debates about the purposes of the community and which configuration of humans and objects is best suited to attaining those purposes. We identified functional differentiation (increased functional specialization) and organizational functionality (the adjustment of organizational form to an organization's functions) as two ways in which functionality can shape the patterns of organization.
- Our approach to *power* emphasized the importance of enrollment to *power over* and *power to*. Rather than seeing power as emanating from an invisible structure, or as reliant on the possession of material resources, we argued that actors and networks must enroll other actors and networks—whether they wish to have power over yet another set of other actors, or to extend their power to do new things. These exercises of power may primarily involve collective mobilization rather than domination. These ways of producing power fit with the capacities and practices of TFAs.

Each of these three themes helps make visible the distinctive roles played by TFAs in assembling humans and objects, building and identifying the purposes of financial communities and disciplining conduct to achieve those purposes, and enhancing the capacity of powerful financial actors to dominate other actors, or to achieve new goals like expanding markets. The preceding chapters explored these TFA roles, looking in turn at the role of top TFAs in altering the public/private boundary at the global level through their interaction with public authorities (Chapter 3); constructing markets, industries and technologies (Chapter 4); and producing financial communities (Chapter 5). We also explored regional and ethical differentiation in TFA activities, looking at the distinctive cases of the European Union (Chapter 6); the global South (Chapter 7); and TFAs that have social and cultural purposes other than the expansion of profits (Chapter 8). In this concluding chapter we draw together and build on the insights that were explored in more detail in the preceding chapters, highlighting their implications for our understanding of transnational governance and the power of private actors in finance and elsewhere.

Global finance as a complex set of overlapping assemblages

Our assemblage ontology emphasized the painstaking detailed work involved in the production and reproduction of global financial markets. These markets do not magically or automatically expand, but instead are produced by vast arrays of organized configurations of humans and objects, often engaged in highly technical problems that, if not solved, can hinder or destroy markets. These configurations involve quite autonomous clusters of activities organized by TFAs, which have their own practices and trajectories but also contribute to the overall development of global finance and empowerment of private financial actors.

This pattern of assemblage was evident in all the activities of TFAs examined in previous chapters. The TFAs discussed in this book were organized not in the centralized hierarchical or coordinated configurations that might be expected from unified dominance models, but rather in quite distinct associations oriented towards the practical problems of the part of the industry they seek to represent. This was evident in the creation of top TFAs, such as the IIF's and EMTA's origins in the practical problems experienced by commercial banks and traders of developing country debt in the 1980s sovereign debt crisis, ISDA's origins in the back-stage problems of derivatives trading, or the IASB's orientation towards the technical problems of harmonizing accounting standards.

It is also clear that the interaction of top TFAs with political authorities also shaped their development, such as when ISDA, EMTA or the AIMA aimed to forestall public regulation, when the EU and other states recognized IASB standards, when the IIF managed to get regulators to incorporate private risk management practices into the Basel II capital adequacy standards, or when the GFMA or the FLG were created to provide a contact point between the industry and particular initiatives of public authorities, which in these cases were the response to the global financial crisis and the negotiation of the WTO's Financial Services Agreement. Nevertheless, these interactions with public authorities were heavily shaped by the distinctive technical problems around which the top TFAs were organized. Transnational advocacy primarily involves efforts to modify the technical interaction of specific policies or regulations with private-sector organizations and practices, rather than industry-wide campaigns that unite TFAs in the promotion of the power of transnational private financial actors as a whole.

The disaggregated character of TFAs was evident as well in the production of markets and the creation of financial communities. As discussed in Chapters 4 and 5, clearing houses or professional certifications involve very specific practices and problems, and usually only address more general issues of transnational financial governance indirectly, through the ramifications and linkages of their specific work with other networks of actors and TFAs. This is evident even for activities that cut across diverse swaths of global finance, such as the work of ANNA in numbering financial instruments, or of the FRM and PRM risk management designations.

Some of the differentiation highlighted in Chapters 6, 7 and 8 provided further evidence of the disaggregated character of the work of TFAs. Although there can be overlaps in some priorities and efforts, like the expansion and influence of IFRS which was evident in each of these areas in some way, TFAs in different regions are definitely not all identically harnessed to the same global priorities. Regional TFAs have their own distinctive concerns, whether this is the specific challenges of payments and clearing in the eurozone or the need for capacity building in the global South. Among the TFAs with goals other than enhancing profits there is diversity linked to specific practices as well, as evident in the differences between the goals and work of Islamic finance TFAs and microfinancing TFAs.

However, at the same time all these diverse TFAs produce effects that extend beyond their specific practices and, in interacting with other networks and TFAs, contribute to the production of global finance as a whole. This closely matches our assemblage ontology. These types of reverberations and "agentic swarms" travel across different scales as well. These effects may be deliberate, or they may travel in unintended ways. For instance, a regional TFA that holds an annual meeting in a particular country can alter the power and relationships between financial actors in that country, that region, and the world. The 2005 annual general meeting of the Asian Bankers Association held in Melbourne, Australia, was welcomed by Elmer Funke Kupper of the regionally based ANZ banking group, increasing their stature in Australia and perhaps contributing to Kupper's subsequent appointment as chief executive of the Australian Stock Exchange. The meeting was co-organized with the APEC Business Advisory Council and the Pacific Economic Cooperation Council Symposium on Promoting Good Corporate Governance, strengthening regional linkages and the sessions discussed the region's global linkages.[1] Similarly, efforts to improve the interoperability of clearing houses in one jurisdiction can be linked to similar efforts elsewhere in ways that were not planned in advance.

However, the assemblage ontology is also useful because it highlights that along with the differentiation between different associations that we have seen throughout the book, there are clear indications of endeavors to integrate industry efforts that accompany this complex disaggregated production of global markets. This can take a variety of forms. First, it includes the interesting situation of second-order TFAs—i.e. associations composed of other TFAs, like EBIC or EFRAG in the EU discussed in Chapter 6, which are composed of various relevant European-level associations, or the GFMA discussed in Chapter 3, which is an alliance of three distinct regional TFAs (AFME, ASIFMA and SIFMA). One can also look at TFAs that have worked with their regional counterparts in a variety of informal ways, such as the WFE's interaction with the various regional securities exchange associations.

Of course, all TFAs integrate activities, and many bring together a wide variety of dispersed actors and networks, such as the Intermarket Surveillance Group, discussed in Chapter 4, which seeks to deter fraud and market abuses in its members' exchanges. We discuss these patterns as related to functionality below, but here it is useful to note that these integrative initiatives, too, are more consistent with an assemblage ontology than a unified dominance model. As a whole they do not signify any kind of orchestration by a single force emanating from a particular location or property of the global financial system. Instead, they are practical and relatively limited initiatives that emerge from the interactions of TFAs or TFA members. Their significance arises not from a larger, invisible force that they express, but rather from their ability or inability to enroll their members and other actors in their programs.

A final important aspect of an assemblage ontology is its recognition of the complex interactions of an assemblage's expressive or ideational aspects and its material aspects. Ideas do not travel on their own, but rather are carried, and often modified, by humans or objects with a material presence. TFAs and the assemblages to which they are linked devote a great deal of effort to making it possible for these humans and objects, with all their physical complications and limitations, to come together in specific ways, such as through annual conferences, websites, clearance and settlement systems, and documents of all types. Material objects sustain human initiatives but also constrain or confound them, often in unexpected ways that signify the independent effects of those objects. For instance, ISDA's master documents have been crucial in the successful production of derivatives markets, but also in their failures, leading then to new mechanisms such as greater use of central counterparties or the creation of ISDA determinations committees. Indices, as discussed in Chapters 4 and 6, bring together an extended set of data, calculations, and technical artifacts, creating a new object, which in turn helps to create markets, while often obscuring the choices that were made in the construction of the index. Moreover, one can look at the increasing impact of online technologies in the TFAs' provision of training and certification, through web-based seminars, testing and information tools, discussion boards and others.

The functionality and roles of TFAs

We have argued that the relevance of functionality to TFAs is apparent in the degree to which they are often organized around specific detailed technical problems rather than a more generalized pursuit of power. We have seen case after case where an association emerged to address particular problems and/or adapted over time to meet functional needs. For example, the IIF was established to address a practical problem for northern banks during the 1980s debt crisis and EFRAG was created to address expert technical needs with the EU's adoption of IFRS standards for publicly listed companies in 2005. Moreover, functionality also contributes to the disaggregated character of assemblages and the importance of enrollment.

In this concluding chapter, we have already begun to discuss functional differentiation in our comments about assemblages and the degree to which an orientation towards particular tasks contributes to disaggregation of TFAs. Throughout the book there are many examples of increased specialization over time. Most of the TFAs that we have examined did not exist 50 years ago, and their establishment, in one specialized area of finance after another, is one aspect of functional differentiation. Many of the work programs of TFAs are quite narrowly focused, such as the International Valuation Standards Committee's work on appraising real estate or the International Chamber of Commerce's Commission on Banking Technique and Practice's work on documentary credits in trade finance, both discussed in Chapter 4. At the same time, as noted above, some TFAs also integrate the activities of other TFAs, a partial countertendency to the prevailing trend of increasing differentiation. This is most visible in the adoption and/or promotion of the international accounting standards of the IASB and IFAC by the various regional accounting TFAs.

The chapters each provide other insights into the complexity of functionality and TFAs in global finance as well, particularly the ways that functionality can both be constructed and how it can work as a constraint. As discussed in Chapter 2, functionalism has been severely and justifiably criticized for identifying imperatives that operate independently of human volition. At the same time humans do not organize themselves and their relationships with objects entirely randomly or freely, but rather adjust their modes of organization to match the requirements of particular tasks that they wish to accomplish. We proposed reconciling this tension between volition and constraint by emphasizing that the purposes and the constraints that they imply are constructed by communities of humans and objects, with the latter's affordances creating opportunities and limitations with regard to the role that they play.

Our chapters, especially Chapter 5 on the construction of communities, provided a great many examples of this type of functionality in practice. Chapter 5 showed that TFAs provide certain individual and collective services to their members, but also build the community that they claim to represent by setting boundaries, creating private governance mechanisms, and constructing identities and practices. Examples of such community building included the annual meetings of the International Capital Markets Association, the codes of conduct of the European Federation of Financial Analysts Societies and the International Association of Financial Executives Institutes, and the professional training program of the CFA Institute, among others. These activities do not just respond to pre-existing interests, but also formulate or refine the community's purposes and the practices that should be followed to achieve those purposes. These purposes are not simply to become more powerful, but to carry out certain tasks more effectively, such as trading debt, financial analysis and management, or accounting. These TFAs are not simply discovering functional imperatives that exist independently of them, but instead are experimenting, sometimes unsuccessfully, with different ways of organizing humans and objects such as documents, training manuals, computer systems, and financial flows. As Chapter 3 showed, this is evident in the advocacy work of top TFAs as well, where TFAs and public authorities are more often jointly engaged in defining, arguing about, and solving specifically technical problems than in a more direct and general struggle over their respective power, even though TFAs and other actors continually push for technical solutions that match their interests.

The regional and ideational differentiation discussed in Chapters 6, 7 and 8 also displayed strong evidence of the relevance of this type of functionality. Certainly these TFAs, like all TFAs, pursue power for power itself, as discussed further below. This could include an arbitrary promotion of one region or moral value primarily as a mechanism to empower the TFA and its members. However, the TFAs discussed in Chapters 6, 7 and 8 are also heavily involved in defining and solving technical problems associated with their distinctive region or moral purposes. This was evident in the degree to which European TFAs are oriented towards the organizational and technical challenges associated with the distinctive architecture of the EU, such as having an integrated payment system for the euro or knowing how to engage with the European Commission. For TFAs in the global South, capacity building is often a key focus, such as the efforts of ECSAFA and WABA to develop regional-level accounting technician certifications and training. In seeking to reconcile the requirements of Sharia'h law with the operations of conventional finance, Islamic TFAs are engaged in specific detailed projects, such as devising the wording of the Tahawwut Master Agreement created jointly by the International Swaps and Derivatives Association and the International Islamic Financial Market, or AAOIFI's creation of the Certified Islamic Professional Accountant designation. For microfinancing, savings banks, and cooperatives, the challenges involve reconciling viable business models with social inclusion.

Differentiation can either reduce or increase competition. Competition is reduced when there is a high level of specialization, with the outputs of one differentiated unit providing inputs for another. Previous chapters show, despite the frequent characterization of global finance as involving intense competition between private financial actors, that TFAs most often display the competition-reducing effects of differentiation. Most TFAs credibly claim to be the sole representative of the types of actors that constitute their membership. In part this monopolistic organizational form is a more effective way of engaging with public authorities, but it also reflects a process of differentiation where the advantages of specialization outweigh the advantages of competition. The close ties between the technical work of TFAs and the internally integrated but externally differentiated operations of their members reinforce this pattern. This is evident, for instance, in the operations of

SWIFT, which help integrate the operations of the banks that communicate by sending messages through it, and in doing so contribute to making SWIFT a unique, specialized TFA without a direct competitor.[2] This type of specialization is evident, as well, in TFAs that create unique ties among their members through other means, such as conferences or members-only websites.

However, competition can also increase when a function that might have been provided by a single mechanism is provided by multiple differentiated mechanisms that overlap to some degree in what they provide. This is most evident in the competition between TFAs that provide professional certifications, such as the Global Association of Risk Professionals and the Professional Risk Managers' International Association. TFAs that previously were the only representative of a particular type of actor in their respective regions may also start competing with one another as the activities of their members become more globalized. This is evident in the competition between CFA and CIIA designations, which originated in the US and Europe, respectively.

Differentiation is also related to organizational functionality. As discussed in Chapter 2, the notion of organizational functionality suggests that the organizational character of individual TFAs will primarily be shaped by the distinctive tasks they take on rather than by a generic response to unchanging imperatives of power or efficiency. TFAs do exhibit certain organizational commonalities. Like all international organizations (Claude 1971), they often start with periodic meetings and then, as they grow, they add an executive committee, secretary general, staff, and a defined assembly of all members. This tendency reflects the functionality of this type of division of labor. Functionality here is broader than efficiency, which tends to reduce benefits and costs to their monetary values. This division of labor, for instance, also exhibits functional benefits such as the higher quality of ideas that are generated by a professional staff. In some cases this has resulted in increasingly complex committee structures, like the case of ISDA discussed in Chapter 3. Some TFAs have also adapted to create subsidiary or related bodies that are specifically tasked with addressing a particular function, particularly to provide effective education or market-contouring services. The creation of ACI's Global Education Centre based in the Frankfurt School of Finance & Management, and the ICMA Centre at the University of Reading, which offer their respective courses, certificates and degrees, or COLAC's creation of FINCOLAC, which specializes in providing consumer loans and microcredit, are examples of this tendency.

However, this tendency toward organizational sophistication is not automatic, and varies according to the particular tasks of the TFAs. Many TFAs have not developed this more elaborate structure, and are unlikely to do so. This is particularly the case for TFAs that come together in a more *ad hoc* way to address particular challenges that are not constant enough to merit a more elaborate organizational structure. As well, some TFAs bring together independently powerful actors that have their own organizational capacities upon which the TFA can rely. Examples of these two counter-tendencies include the high-level Financial Leaders Group that came together during the Uruguay Round financial services negotiations then faded, the International Securities Market Advisory Group that seeks to promote interoperability in European securities depositories, or the Federation of Euro-Asian Stock Exchanges that promotes exchanges between the two regions.

To some degree this more horizontal, informal mode of organization is characteristic of late modern organization more generally, where networks have displaced hierarchies in business, government and global governance,[3] driven by the advantages of flexibility, increased knowledge capacities of individual actors, and technical improvements in communications and information processing. It also reflects ongoing political tensions between the advantages of collective organization and desires to preserve the autonomy of members—tensions that are evident and well analyzed in international organizations more generally.[4] However, like the imperatives of power and efficiency, there are limits to the usefulness of trying to explain the organizational form of particular TFAs with reference to these generalized global changes. Our notion of organization functionality suggests that it is more useful to explore the particular tasks taken on by a TFA if we wish to understand its particular organizational form. This includes not just variation between hierarchical and network forms, but other variation as well, such as between professional organizations that are oriented towards training individuals, organizations that facilitate collaboration between other organizations, and organizations that manage elaborate clearing and settlement, or other technical systems.

The diverse aspects of functionality that this book has analyzed, and the efforts of TFAs to integrate dispersed activities, are consistent with our treatment of functionality as an aspect of an assemblage ontology. This is a contrast with a more structural functionalism that treats differentiation as a more inherent and inexorable property of societies. While functionalist approaches such as Luhmann's[5] have extensively analyzed the ways in which differentiated units exchange inputs and outputs, they often do so at a level of abstraction that obscures the difficult, detailed, and failure-prone work that is needed to establish and maintain such connections—a problem also in how such approaches treat the identification of functions, which in our assemblage approach are constructed by communities of actors and objects.

The power of enrollment

What do the preceding chapters tell us about the power of financial actors in general and the role played by power in any particular TFA? Our assemblage ontology implies that power does not emanate from a single location or force but instead is produced through the enrollment of actors, networks and objects. Enrollment here means recruitment where the prior activities or trajectory of the recruited entity may continue independently but also be aligned or connected with the assemblage into which it is enrolled. As noted above, even where power is coercive *power over* it requires enrollment of humans and objects.

The preceding chapters strongly confirm that power in global finance is produced in a disaggregated manner and does not automatically emanate from a single location or force. The TFAs we have discussed continually work on building their own capacities by strengthening connections with others. Even the top TFAs analyzed in Chapter 3 do not possess sufficient resources on their own to do very much at all. They must continually work to link the TFA staff with TFA members, those members' own routine operations, public authorities, legal and financial experts, and complementary TFAs and firms. For instance, ISDA's model agreement has brought together all these types of actors in its creation and its ongoing uses in derivatives markets around the world. We can also see this in some widespread international standards, like the IASB's IFRS for SMEs, which actively have incorporated regional TFAs, national bodies and accounting firms from around the world in aspects of their creation, promotion and implementation. Initiatives such as the Software and Information Industry Association's Market Data Definition Language, discussed in Chapter 4, could not be imposed on the market, but rather needed to be aligned with a variety of actors and objects, including financial firms, data vendors, software firms, and computer systems.

Our emphasis on enrollment does not imply that all relationships are voluntary and domination is minimal. On the contrary, there are innumerable examples of powerful TFAs or TFA members working to dominate other actors, and those actors resisting. This is especially evident in the greater influence in governance of TFAs from the global North, with TFAs from the global South more often having to adjust to standards or practices developed elsewhere, while seeking to increase their capacities to operate globally. These power asymmetries and conflicts are visible among firms from the global North as well. For instance, the oligopolistic character of the firms selling derivatives, the lack of information about their trades, and their control of the ISDA provided them with opportunities to exploit the market, but over time the "buy side" was able to obtain increased representation in ISDA. The conflicts over making European securities depositories more interoperable involved power struggles between national firms, which would likely lose market share, and transnational firms which would gain. As discussed in Chapter 3, the IASB has faced many complaints that it has been overly influenced by Anglo-American practices and firms, and in turn has favored these at the expense of others, such as those favoring SMEs in other jurisdictions.

More generally, financial interests and values are consistently privileged over other interests and values as a result of the domination by TFAs of the technical processes around which they are organized. With the exception of the Islamic, microfinance, and savings bank and cooperative TFAs discussed in Chapter 8, the activities of the TFAs discussed in this book are heavily oriented towards creating, extending and controlling a vast and complex array of technical practices that primarily aim to make a profit. As discussed in

Chapter 2, the treatment of these as functional, as dictating courses of action that have more to do with practical effectiveness than self-interest or exploitation, is itself a strategy for building power and control. In part this effect is ideational, when less powerful financial and non-financial actors are persuaded to accept these courses of action because of their purported practical effectiveness or functional necessity. However, it can also be more material, such as when the configuration by powerful actors of objects with material properties, such as documents or a computer system, locks in the course of action that these objects facilitate.

Despite this consistent privileging of financial interests and values, a key insight that is facilitated by our assemblage ontology is that, in contrast with unified dominance models, the successful exercise of power by dominant financial actors is far from guaranteed. Because financial relations and practices must be painstakingly constructed by a diverse set of actors often working at cross-purposes, rather than emanating automatically from a single location or force, they are constantly vulnerable to failure. These failures can involve individual projects, such as the abandonment of the Global Straight Through Processing Association and its World Automated Transaction Clearing House project, discussed in Chapter 4. They can also involve wider industry failures, such as the problems experienced by the Lloyd's insurance market in the 20th century, or the global crisis that began in 2007. In contrast to unified dominance models that see crises as having deep structural origins, our assemblage ontology points to the contribution of practical failures in ongoing and often routine work in which TFAs and their member firms are so thoroughly engaged. Certainly crises can be provoked by systemic problems, such as macro-economic imbalances or generalized mispricing of risk, but failures must work through financial practices involving particular humans and objects for their effects to appear.

This vulnerability of financial power to failures arising from its routine operations is amplified by the ability of public authorities to restrain the narrow self-interest of TFAs and their member firms. In this book we have started with the activities of TFAs and then looked out at their interactions with public authorities, rather than the more conventional reverse approach. Nevertheless, it is clear that even the most powerful TFAs react to initiatives of public authorities at key times, rather than setting the agenda themselves. Although TFAs such as the IIF, SIFMA, and the G30 issued important reports on the global financial crisis that began in 2007, these either responded to public regulatory initiatives of the G20, the Financial Stability Board, or other public authorities, or addressed less immediately systemically important procedures, such as the internal risk management practices of firms. The GFMA was created to respond to transnational regulatory initiatives, not to originate or prevent them from emerging. This does not mean that TFAs cannot skew global financial governance towards the interests of their members, as is evident in the IIF's success in getting proprietary risk models included in the Basel II standards, in the ability of the G30 and ISDA to keep derivatives governance mostly private, or in the innumerable large and small ways that TFAs work to promote the power of private financial actors. Public authorities, in promoting public policies and regulations, must also rely on the private ordering mechanisms of TFAs and their member firms. Nevertheless, TFAs are vulnerable to initiatives of public authorities, much as they are vulnerable to operational failures in the private technical practices they create.

Implications for transnational governance more generally

While our focus in this book has been on the governance of global finance and the power of private financial actors, the lessons provided from our study of TFAs are relevant to understanding transnational governance more generally. Finance has many distinctive properties, but it also has been at the forefront of globalization processes, and expresses tendencies visible elsewhere. The disaggregated networked character of transnational governance has been widely recognized and extensively analyzed.[6] How can our study of TFAs help understand this wider landscape?

A first point is that our three themes of assemblage, functionality and power as enrollment, which build on the work of others, as discussed in Chapter 2, are useful more generally as an alternative to approaches that seek to identify single locations, forces, or properties of the global system that are the origins of developments in it. Such theoretical parsimony can be useful when it highlights important determinants that might be obscured by the complexity of the global system. Although we have been critical of unified dominance models, work that has drawn out the distinctive roles played by individuals in markets, elites and dominant social classes or states, has made an extremely valuable contribution to understanding transnational governance. Nevertheless, when such work assumes or implies that the determinant identified operates in an invisible structural manner, without having to work through actual humans and material objects, it creates theoretical and practical problems. Theoretically, it is simply impossible to understand developments in transnational governance without paying attention to the detailed disaggregated actions of humans and objects that an assemblage ontology highlights. Practically, analytical reliance on invisible structures empowers those that the structures supposedly support or produce, concealing the hard work and many failures that accompany the actual production of power. Political and regulatory responses to transnational problems will be deficient if they do not take the detailed operations of the global interactions of people and objects, which an assemblage approach highlights, into account.

We hope as well that our work will inspire further analysis of functionality. Functionalism has had a troubled history in the social sciences. After its disastrous experience in the 1960s, where its promises to reveal the hidden determinants of social systems came to be seen as unwarranted efforts to lock in a problematic status quo, a far more eclectic variety of approaches to functionality appeared, including those that tried to create a repaired neo-functionalism, those that rejected the relevance of functionality as anything more than a claim to power, and many more modest, and sometimes inadequately theorized uses of functional notions, such as rational choice models that explain decisions and institutions with reference to their purposes. Reconciling human freedom and creativity with the constraints imposed on human action by the material world is one of the central challenges of social theories and of social organization in practice. In this book we have brought together notions of how communities and their identities and purposes are built, while acknowledging the distinctive affordances of material objects that are part of that community. We have argued that this conceptualizes functionality in a way that avoids the problems of earlier functionalist approaches. Nevertheless, there is much more to be done to integrate social theories that focus on the creativity of thought and those that seek to analyze materiality's constraints on action.

Finally, power has always been a central concern of social theories, including those concerned with international order. In recent decades, those analyzing and working in international affairs have added a concern with private power to the more traditional concern with the power of states, starting by devoting attention to multinational corporations and competitive markets, and then adding new concepts such as private authority, self-regulation, and networked governance to address the increasing complexity of private transnational ordering. In all areas of transnational governance, like global finance, the distinctive capacities and pathologies of private power continued to be matters of intense concern. Our book has emphasized the complex transnational entanglements of private actors. These entanglements cut across borders, industry segments, scales, ideas, material objects, the public/private divide, and many other boundaries that in earlier periods seemed more fixed. This helps illuminate the varied operations of private transnational power—how it is built and how it can fail. It is hoped that the insights provided by this book will contribute to better aligning and harnessing private power to address the daunting transnational challenges the world faces, while avoiding financial crises and other disasters associated with that power.

Notes

1 Introduction

1 Taibbi, Matt (2009) "The Great American Bubble Machine," *Rolling Stone*, July, 9–23.
2 Time constraints required us to limit our examination to these years and to associations that satisfied a minimum threshold of transnationality. In order to be included in our database an association was required to be focused in its primary activity on finance, defined quite broadly to include accounting and other financial services. It also needed to have members from more than one country and to concern itself with issues in more than one country. Through extensive searching of directories, websites, and databases of articles from newspapers, trade journals, and scholarly journals, we are quite confident that we identified virtually all associations meeting these criteria that were active during this time period.
3 Setting boundaries around a set of relevant associations is complicated by the ongoing creation of new associations and the demise of others, and by the fuzziness of the dividing line between financial and non-financial associations and between public and private. We have addressed this on a case-by-case basis.
4 Attempting to categorize associations' activities is a complex process as various activities may overlap multiple different categories if they are serving multiple purposes. The four categories chosen here are unique. However, they draw some reference from the categories of role created by Schmitter and Streeck – control of members (self-regulation), representation of members (advocacy), coordination of members, and provision of services. See: Schmitter, P.C. and Streeck, W. (1999) "The Organization of Business Interests: Studying the Associative Action of Business in Advanced Industrial Societies," *MPIfG Discussion Paper 99/1*, March, Cologne: Max Planck Institute for the Study of Societies.

2 Conceptualizing transnational financial associations and global financial power

1 For a more extensive survey of the literature on the organization of global finance see Porter (2010).
2 Apparatuses are like assemblages in their heterogeneity, but they imply a greater consistency in control, and as such work more as "mechanisms of entrapment" (Legg 2011: 130). Governmentality, developed by Foucault in his later work, focuses on ways of governing at a distance, or the regulation of self-regulation. Collier (2009: 99) argues that some mistakenly see Foucault's later work as consistent with his earlier, more totalizing and functionalist emphasis that fits with the notion of apparatuses, but that Foucault had instead begun to analyze "heterogeneous space, constituted through multiple determinations, and not reducible to a

given form of knowledge-power … better suited to analyzing the dynamic process through which existing elements, such as techniques, schemas of analysis, and material forms, are taken up and redeployed, and through which new combinations of elements are shaped." This is consistent with the notion of assemblage, although Foucault did not use the assemblage label to refer to this new emphasis. For a use of assemblage that treats it as involving more relentless and unified control than does the interpretation of this book, see Li (2007: 264, 286), who sees "assemblage as the continuous work of pulling disparate elements together" to "constitute a technical field fit to be governed and improved."

3 Harvey (2010: 128), in talking about the seven activity spheres through which he sees capital as operating, approvingly cites Deleuze's concept of an assemblage. However, for Harvey capital seems somehow to operate differently than these assemblages, a kind of meta-force: "capital revolves through different but interrelated 'activity spheres' … in search of profit." Our approach differs in seeing assemblages as more pervasive and less aligned with specific activity spheres.

4 Bennett's reference to a metal's *life* is part of her larger argument for the vibrancy of matter, which includes the active properties of its polycrystalline structure. Intuitively we may also think of the rusting of iron, which leads to its decay and dispersal.

5 This capacity to anticipate functionality was emphasized by Keohane (1984) in his advocacy of rational choice functionalism.

6 Rational choice functionalism tends to retain an excessive emphasis on functional imperatives through concepts such as prisoners' dilemma games, or public goods, which have some inherent but inadequately theorized capacity to constrain human choice. We can avoid this shortcoming by emphasizing that a problem is not magically imbued with the characteristics of one or another game, but rather is constructed in a way that gives it those characteristics, such as when the boundaries that determine whether goods are public or private are either built or conceived as too costly to build. See, for instance, Kaul and Mendoza (2003).

7 "Role" implies a more exclusive emphasis on convergent expectations than "function," which stresses purposes and materiality to a greater degree. This is consistent with the way these three chapters address different large-scale, general categories of activities that are more remote from the more focused, detailed, and practical functions of particular TFAs that we discuss in these chapters. However, our distinction between these terms is more about highlighting this distinction for the purposes of this book than to initiate new theorization of the concept of "role."

3 Transnational financial associations and the global public sphere

1 IIF, www.iif.com/about (accessed 2 June 2012); and IIF (2012) *Annual Report 2011*, 56.

2 As evident, for instance, in the list of non-confidential comments on the proposed new Basel Capital Accord in the second consultative process, completed in August 2001. The IIF submitted the largest number of pages, three reports totaling 169 pages. See Basel Committee on Banking Standards, www.bis.org/bcbs/cacomments.htm (accessed 20 February 2002). Information on the IIF is based on its website, www.iif.com (accessed 20 February 2002) and on an interview with a participant.

3 Josef Ackermann, Chair of the IIF's Board of Directors, *IIF Annual Report 2005*, quoted in Institute of International Finance (2007: 77).

4 IIF (2011) "IIF Financing Offer", 21 July; and IIF (2011) "Greece Financing Offer: Statement by IIF Board of Directors," 21 July, www.iif.com/press/press+198.php (accessed 3 August 2011).

5 See also Bennett (2010: 27, 103).

6 Institute of International Finance (2008).

7 "Developing and implementing a capital requirement for liquidity risk would be not only costly and complex but also would result in little additional capital" (Institute of International Finance 2008: 75).
8 Institute of International Finance (2008: 77).
9 *Restoring Confidence, Creating Resilience* (July 2009); *Reform in the Financial Services Industry: Strengthening Practices for a More Stable System* (December 2009); *Implementing Robust Risk Appetite Frameworks to Strengthen Financial Institutions* (June 2011); *Risk IT and Operations: Strengthening Capabilities* (June 2011).
10 In 2011 the co-chairs are Jacques de Larosière, former governor of the Banque de France and David Dodge, former governor of the Bank of Canada. On the IIF's promotion of its MMG see Institute of International Finance (2011) *Macro-prudential Oversight: An Industry Perspective: Submission to International Authorities*, 25, www.iif.com/press/press+197.php (accessed 3 August 2011).
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13 SIFMA (2008) "Proposal for a Regulatory Framework for CRAs and Embedded Ratings Policy Options," 5 September, footnote 1.
14 Schmidt, Robert (2009) "Campaign Aims to Repair Wall Street's Image," *Boston Globe* 26 June, www.boston.com/business/markets/articles/2009/06/26/campaign_aims_to_repair_wall_street8217s_image/ (accessed 7 May 2012).
15 It sponsored a Global Credit Rating Agency Task Force that was designated by the US President's Working Group on Financial Markets as the private-sector group to provide recommendations on credit rating, and it responded aggressively to EU initiatives on CRAs. See SIFMA, "Recommendations of the Securities Industry and Financial Markets Association Credit Rating Task Force," July 2008; and SIFMA, "Proposal for a Regulatory Framework for CRAs and Embedded Ratings Policy Options," 5 September 2008.
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18 GFMA (2011) "Basel 3 Framework: Outstanding Issues on Basel III Standards and Processes," letter to Nout Wellink (Chair of the Basel Committee on Banking Supervision), 4 February, www.gfma.org/pdf/GFMA_Clarification-Letter_Basel-III-Package_Issued.pdf (accessed 21 July 2011).
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20 For a detailed history of ISDA see Flanagan (2001).
21 ISDA (2011) "ISDA: Safe, Efficient Markets," 2011 brochure, www.isda.org/uploadfiles/_docs/ISDA_Brochure_2011.pdf (accessed 22 July 2011).
22 For an excellent analysis of this aspect of ISDA's work, on which this paragraph draws, see Biggins and Scott (2011); Biggins (2012).

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4 Constructing markets, industries and technologies

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5 TFAsand the production of financial communities

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2 A rationality trap in this situation is a situation where an association's members will have conflicting individual and collective goals.
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6 Financialassociations and regional integration

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19 Interestingly a clause in the initial 2001 recommendation makes note of this possibility, stating, "The Commission will consider presenting binding legislation, should the terms of this recommendation not be fully complied with" (Commission Recommendation of 1 March 2001 on pre-contractual information to be given to consumers by lenders offering home loans, Official Journal L 069, 10/03/2001 P. 0025–0029 (notified under document number C(2001) 477)).

20 Schwartz, N.D. (2011) "Online Banking Keeps Customers on Hook for Fees," *The New York Times*, 15 October, www.nytimes.com/2011/10/16/business/online-banking-keeps-customers-on-hook-for-fees.html?scp=1&sq=online%20banking%20keeps%20customers%20on%20the%20hook&st=cse (accessed 18 October 2011).
21 United States (2011) H.R.3077—Freedom and Mobility in Consumer Banking Act (Introduced in House—IH), 112th Congress, thomas.loc.gov/cgi-bin/query/z?c112:H.R.3077: (accessed 29 April 2012).
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23 Ibid.
24 CESR/ESCB (2008) *Draft Recommendations for Securities Settlement Systems and Central Counterparties*, CESR/ESCB Consultation Paper CESR/08-749, October.
25 Commission of the European Communities (2001) "Commission Recommendation of 1 March 2001 on Pre-contractual Information to be Given to Consumers by Lenders Offering Home Loans," *Official Journal* L 069, 10/03/2001 P. 0025–0029, (notified under document number C(2001) 477).
26 According to the European Banking Federation (2001: 15), EONIA "is an effective overnight rate computed as a weighted average of all overnight unsecured lending transactions in the interbank market, initiated within the euro area by the contributing panel banks," and EURIBOR "is the rate at which euro interbank term deposits with the euro zone are offered by one prime bank to another prime bank."
27 This rate is "the average rate at which a representative panel of prime banks provide daily quotes, rounded to three decimal places, that each Panel Bank believes is the Mid Market rate of EONIA swap quotations between prime banks." EURIBOR, www.Euribor-ebf.org (accessed 12 November 2011).
28 It is also supported by the European Association of Co-operative Banks and the European Savings Bank Association.
29 Trichet, J.C. (2005) "European Financial Integration and the Management of Inflation Expectations by the European Central Bank," remarks at "The euro: one currency, one financial market," organized by the European Commission, New York, 19 April, www.bis.org/review/r050421b.pdf (accessed 18 June 2012).
30 The market participants in this case were: ACI—The Financial Markets Association, Banking Federation of the European Union, European Committee of Options and Futures Exchanges, European Association of Cooperative Banks, European Federation of Building Societies, European Federation of Financial Analysts' Societies, European Mortgage Federation, European Savings Banks Group, Federation of European Stock Exchanges, International Primary Market Association, the International Securities Market Association, and the International Swaps and Derivatives Association.
31 The euro BBAlibor is created by the British Bankers Association and came into effect at the beginning of 1999 as the successor to previous European libors (London Interbank Offered Rates) with the creation of the euro.
32 European Central Bank (ECB) (2009) *Euro Money Market Study 2008*, 10, www.ecb.int/pub/pdf/other/euromoneymarketstudy200902en.pdf (accessed 19 June 2012).
33 FESE (2009) "European Exchanges Introduce Harmonised Tick Size Regimes in Europe," press release, Brussels, 30 June, www.fese.be/_mdb/pressdocs/European%20exchanges%20introduce%20harmonised%20tick%20size%20regimes%20in%20Europe.pdf (accessed 28 April 2012).
34 See Grant, J. (2011) "Euronext Sparks Outrage with Tick Size Reduction," *FT Trading Room*, 28 January, www.ft.com/cms/s/0/97f0deb0-2ad1-11e0-a2f3-00144feab49a.html#axzz1uHvTBERZ (accessed 29 April 2012); or Kentoris, C. (2011) "NYSE Euronext Delays Decision to Change Tick Sizes," *Securities Technology*

Monitor, 3 February, www.securitiestechnologymonitor.com/news/harmonize-tick-size-europe-26959-1.html (accessed 29 April 2012).

35 EFAA, "Past Events," www.efaa.com/Past,events,130.html (accessed 9 November 2011).

36 EFFAS, www.effas.net (accessed 9 November 2011).

37 As discussed in Chapter 5, the CIIA designation is coordinated at the international level by the Association of Certified International Investment Analysts (ACIIA). EFFAS is a founding member of this group.

38 EFFAS (2012) *EFFAS Summer School Program*, Frankfurt: EFFAS, www.effas.net/index.php?option=com_docman&task=doc_download&gid=197&Itemid=66 (accessed 10 June 2012).

39 ECBS membership was the European Banking Federation (FBE), the European Savings Bank Group (ESBG), and the European Association of Cooperative Banks (EACB).

40 European Committee on Banking Standards (2002) *Annual Report*, Brussels: ECBS.

41 EPC, www.europeanpaymentscouncil.eu/index.cfm (accessed 29 April 2012).

7 TFAs in the global South

1 The TFAs identified in the chart were chosen to highlight regional and sectoral breadth without overly complicating the visual layout. Their selection should not be seen as indicating greater importance than associations not included.

2 AFME, www.afme.eu (accessed 10 May 2012).

3 For example Lavelle's (2004) work on stock exchanges, and articles on accounting associations, such as Annisette (2002), Saudagaran and Diga (1997, 2000), and Wei-guo (1996).

4 This includes Maxfield and Schneider (1997), Perez-Aleman (2003), Moore and Hamalai (1993), Schneider (1998), Donner and Schneider (2000), Schelhase (2004), Becker (1990), Giacalone (2002).

5 COMESA is the Common Market for Eastern and Southern Africa and SADC is the Southern African Development Community.

6 SAARC, "Apex and Recognised Bodies," www.saarc-sec.org/Apex-and-Recognised-Bodies/14/ (accessed 3 May 2012).

7 SADC Banking Association, www.sadcbanking.org/about-us.asp (accessed 1 May 2012).

8 WABAO, 216.38.56.115//index.php?option=com_content&task=view&id=23&Itemid=31 (accessed 30 March 2012).

9 In an interesting twist the South Asian Securities Regulators' Forum was actually established by a TFA—the South Asian Federation of Exchanges (SAFE) in 2005. See SAFE, "South Asian Securities Regulators' Forum," www.safe-asia.com/sasrf.php (accessed 18 May 2012).

10 OAS, "Registry of Civil Society Organizations within the Organization of American States (OAS)," www.civil-society.oas.org/Registry_ENG.htm (accessed 3 May 2012).

11 IAC, "Objectives," www.iac-caribbean.com/index.php?categoryid=26 (accessed 12 June 2012).

12 ACCU, www.aaccu.asia/about_us2.php (accessed 3 May 2012).

13 Inscriptions are technical artifacts like documents, texts, videos, graphics, etc., which embody patterns of use.

14 FAIR, www.fair.org.eg (accessed 2 May 2012).

15 Confederación Latinoamericana de Cooperativas de Ahorro y Crédito, "Actividad Operativa y Financiera," www.colac.com/index.php?option=com_content&task=view&id=16&Itemid=32 (accessed 29 March 2012).

16 Caribbean Association of Indigenous Banks, www.caibinc.info/about_us (accessed 29 March 2012).
17 Caribbean Confederation of Credit Union, "Training Programs," www.caribccu.coop/training-programs (accessed 29 March 2012).
18 APLMA, www.aplma.com/about_us.asp (accessed 30 March 2012).
19 Confederación Latinoamericana de Cooperativas de Ahorro y Crédito, "FECOLAC," www.colac.com/index.php?option=com_content&task=view&id=14& Itemid=30 (accessed 30 March 2012).
20 ABWA, "Accounting Technicians Scheme—West Africa (ATSWA)," www.abwa-online.org/ats.htm (accessed 30 March 2012).
21 ACCU, www.aaccu.asia/cu_solutions.php (accessed 3 May 2012).
22 IFAD asserts that it "has supported AFRACA since 1992 and has been a primary donor to the association since 1998" (www.ifad.org/operations/projects/regions/pf/index.htm, accessed 19 March 2012).
23 The FAO, following the 1975 World Conference on Agricultural Credit, promoted the establishment of regional agricultural credit associations including AFRACA. It argues that these regional bodies are "very active and have, over the years, become financially and operationally independent from FAO and today work on joint research, joint collaboration on conferences and technical workshops with FAO as partners" (FAO, "Strategic Partners," www.fao.org/ag/ags/agricultural-finance-and-investment/strategic-partners/en/, accessed 19 March 2012).
24 FELABAN also has formal frameworks of cooperation, memoranda of understanding and/or protocols with the UN Environment Programme (UNEP), as well as associations and organizations like the Latin American Legal-Economic Observatory and the Florida International Bankers Association.
25 AIO, www.africaninsurance.net/english/ratings/index.htm (accessed 2 May 2012).
26 FEAS, www.feas.org/Content.aspx?Get=Committees&Top=About (accessed 10 May 2012).
27 For background on this project see: Anonymous (2008) "Building Stock Exchange Interconnectivity in Southern Africa," *Financial Services Research* 4: 52–55.
28 Minney, T. (2010) "COSSE's Hub and Spoke Model," *African Capital Markets News*, 16 March, www.africancapitalmarketsnews.com/351/cosse's-hub-and-spoke-model/ (accessed 22 May 2012); Business Day (South Africa) (2010) "Southern Africa: SADC to Start Regional Stock Trading Soon," *Business Day (South Africa)*, 11 February, www.afrika.no/Detailed/19341.html (accessed 22 May 2012).
29 IBFed, www.ibfed.org/ibfed-members (accessed 2 May 2012).
30 IFAC, www.ifac.org/about-ifac/structure-governance (accessed 20 April 2012).
31 Wolfsberg Group, www.wolfsberg-principles.com/index.html (accessed 2 May 2012).
32 The IFRS Advisory Council was known as the Standards Advisory Council before March 2010. As of May 2012 there was one southern TFA on it—the South Asian Federation of Accountants (SAFA).
33 The increase in membership to 16 members in July 2012 is unlikely to change this tendency. Current member profiles are available at the International Accounting Standards Board website, www.ifrs.org/The+organisation/Members+of+the+IASB/Members+of+the+IASB.htm (accessed 2 May 2012).
34 IFRS, "The First Meeting of the IASB Emerging Economies Group Communiqué," 26 July 2011, Beijing, www.ifrs.org/NR/rdonlyres/8CB78011-0853-416E-950B-529B6DF58F4C/0/EEGCommunique.pdf (accessed 13 July 2012).
35 See Emerging Economies Group (2011) "Guidelines on the Application of the Fair Value Measurement Standard in Emerging Economies," 27 July, Beijing, www.ifrs.org/NR/rdonlyres/488AD0A1-B3DD-49F5-B31A-1EB6AB25BED1/0/EEGmeetingNov2011.pdf (accessed 13 June 2012).

36 Ram also notes that responses were analyzed based on issue so the additional comments on developing countries that were inserted by some respondents were not acknowledged in the staff summaries to the board.
37 IFAC (2012) "IFAC Applauds the Pan-African Federation of Accountants for its Adoption of International Accounting Standards," Press Release, 22 May, www.ifac.org/news-events/2012-05/ifac-applauds-pan-african-federation-accountants-its-adoption-international-acco (accessed 25 May 2012).
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39 IFRS, "Train the Trainers Workshops," www.ifrs.org/IFRS+for+SMEs/SME+Workshops.htm (accessed 2 May 2012).
40 See IFAC (2006) "Micro-Entity Financial Reporting: Perspectives of Preparers and Users," *Small and Medium Practices Committee Information Paper*, December; and ECSAFA (2005) *ECSAFA Guidance on Financial Reporting for Small and Medium Sized Entities*, Nairobi: The Eastern, Central and South African Federation of Accountants.
41 Asian Bankers Association, www.aba.org.tw/about.php (accessed 2 May 2012).
42 ASEAN Bankers Association, www.aseanbankers.org/PermanentCommittees/Education.htm (accessed 3 May 2012).

8 Inclusionand differentiation

1 For comprehensive discussion of the tenets and practices of Islamic finance, see Ayub (2007).
2 The OIC is composed of the governors of central banks and monetary authorities of its member countries.
3 AAOIFI membership includes international organizations, national regulatory bodies, and private actors divided into founding, associate, observer, and supporting members.
4 AAOIFI, www.aaoifi.com (accessed 16 May 2010).
5 The IFSB currently has 164 members—41 regulatory and supervisory authorities, the IMF, the Islamic Development Bank, the World Bank, the Bank for International Settlements, the Asian Development Bank, and 117 market players from 31 countries. Its mandate is to set common standards that member states can choose to implement and to promote awareness of issues that are of regulatory and supervisory interest to the sector through public events. As in conventional finance, national implementation of these standards in some cases occurs with minor modifications.
6 These included the IFSB and IIF (Institute of International Finance) Conference: Enhancing the Resilience and Stability of the Islamic Financial System (20–21 November 2008), the BIS-IFSB Joint Seminar on Monetary Operations and Islamic Financial Institutions (15 April 2008), and the World Bank-IFSB Seminar on Challenges and Opportunities in Islamic Finance (April 2006).
7 AAOIFI and the World Bank co-sponsored the Annual Conference on Islamic Banking and Finance (10 and 11 November 2008, in Bahrain). AAOIFI, www.aaoifi.com (accessed 20 December 2008).
8 IIFM (2007) "IIFM, ICMA Sign MoU to Develop Standardised Market Practices for Sukuk Industry," news release, www.iifm.net (accessed 24 February 2007).

9 Sukuks form a large part of Islamic securities markets. They are best thought of as "asset-based bonds of medium-term maturity [which] have been issued internationally by sovereign and corporate entities" (El Qorchi 2005).
10 Y-Sing, L. (2008) "Islamic Finance Body Backs Divisive Sukuk Ruling," Reuters.com, 9 November, www.reuters.com/articlePrint?articleId=USKLR39989020081119 (accessed 4 August 2010).
11 Moody's Investors Service (2009) *Moody's: Sukuk Issuance Slowdown Mainly Due to Credit Crisis, But Shari'ah Compliance Also an Issue*, Global Credit Research Announcement, 22 January.
12 AAOIFI, www.aaoifi.com (accessed 20 December 2008).
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15 Ibid.
16 In addition to these schemes which have explicit connections to investment process, we also acknowledge these efforts are coordinated in a larger field focused on corporate conduct. Over the past two decades in particular, this sector of the financial industry has developed in tandem with notions of corporate social responsibility promoted by initiatives like the Global Compact.
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18 Climate Disclosure Standards Board, www.cdsb.net (accessed 10 November 2011). On the role of environmental criteria in accounting more generally, see Thistlewaite (2010).
19 CERES, www.ceres.org/investor-network/join (accessed 7 November 2011).
20 AccountAbility (2011) *Certification as a Sustainability Assurance Practitioner: Including the AccountAbility Sustainability Assurance Competency Framework Built on AA1000 Assurance Standard Platform*, London: AccountAbility.
21 INAISE, findfinance.org (accessed 28 September 2011).
22 WSBI, "Access to Finance Thematic Section," www.wsbi.org/template/thematic.aspx?id=1428 (accessed 1 November 2011).
23 WSBI, www.wsbi.org (accessed 1 November 2011).
24 WSBI (2009) *Savings Banks from Around the World Renew Their Commitment to Support the Real Economy and the Most Vulnerable Parts of the Population*, press release, 29 April, www.wsbi.org/template/press.aspx?id=3468 (accessed 1 November 2011).
25 WSBI, "Access to Finance Thematic Section," www.wsbi.org/template/thematic.aspx?id=1428 (accessed 1 November 2011).
26 WSBI (2010) *Working with Savings Banks in Order to Double the Number of Savings Accounts Among the Poor: WSBI Leading the Global Effort*, November, www.wsbi.org/uploadedFiles/Double_savings_accounts_(WSBI_only)/Introduction/2009BillMelindaGatesbrochureGB.pdf (accessed 1 November 2011).
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28 However, a key distinction with much of microfinance is the focus on mobilizing savings rather than on credit.
29 CGAP (2011) "Savings for Poor People: Good for Clients, Good for Business?" www.cgap.org/p/site/c/template.rc/1.26.2209/ (accessed 1 October 2011).
30 CGAP, "About Microfinance," www.cgap.org/p/site/c/about/ (accessed 1 October 2011).
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32 Lee, Y. and David, R. (2010) "Suicides in India Revealing How Men Made a Mess of Microcredit," 28 December, www.bloomberg.com/news/2010-12-28/suicides-among

-borrowers-in-india-show-how-men-made-a-mess-of-microcredit.html (accessed 23 November 2011); see also Biswas, S. (2010) "India's Micro-finance Suicide Epidemic," *BBC*, 16 December, www.bbc.co.uk/news/world-south-asia-11997571 (accessed 23 November 2011); Woodsome, K. (2010) "Indian State Tightens Microcredit Rules Amid Suicide Scare," *Voice of America*, 8 November, www.voanews.com/english/news/asia/-Indian-State-Tightens-Microcredit-Rules-Amid-Suicide-Scare-106880499.html (accessed 23 November 2011).

33 South Asian Microfinance Network, "Partner MFIs," www.samn.eu/?q=partners (accessed 30 September 2011).

34 Banking for the Poor Network, www.bwtp.org/mainevents.html (accessed 30 September 2011).

35 MAIN, "Activities Section," www.mfiain.org/detail.php?id=29&tab=activites (accessed 30 September 2011).

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44 Compartamos eventually shifted its focus to become a commercial bank (Galema and Lensink 2009).

45 When costs are taken as a share of loan value.

46 Anonymous (2008) *The Pocantico Declaration*, Microfinance Leaders Retreat, 21–23 April, www.smartcampaign.org/storage/documents/Pocantico_Declaration.pdf (accessed 28 September 2012).

47 Clinton, L. and Trant, J. (2009) "Microfinance Private Equity: Taking the Pulse of an Emerging Investment," www.iamfi.com/documents/MicrofinancePrivate Equity-TakingthePulseofan EmergingInvestment.pdf (accessed 23 September 2012).

48 INAISE (2011) *INAISE AGM 2011: Addis Ababa; Information and Registration Booklet*, findfinance.org/sites/default/files/u4/INAISE%20Booklet-Addis%20Conference.pdf (accessed 28 September 2012).

49 IMFN, imfn.org/index.php (accessed 1 December 2011).

9 Assemblingwealth and power

1 Asian Bankers Association (2005) "22nd General Meeting, 'Globalization of Markets: Local vs. Global'," Melbourne Australia, 17–19 October, www.apec.org.au/docs/currents0905/ABAABACRego.pdf (accessed 15 June 2012); and Johnston, E. (2011) "Surprise Over ASX's Choice of New Chief," *The Age*, 26 August, www.theage.com.au/business/surprise-over-asxs-choice-of-new-chief-20110826-1jdfh.html (accessed 15 June 2012).

2 This tendency can also be analyzed as a network effect, where the benefits for each member increase when a new member is added. All other things equal, efficiency factors will push all such cases towards a single network. This emphasis on

efficiency is narrower, and therefore more limited, than our emphasis on functional differentiation.

3 See Braithwaite and Drahos (2000); Slaughter (2004); Hansen and Salskov-Iversen (2008); Djelic and Sahlin-Andersson (2006).

4 See, for instance, the literatures on formality and informality (Abbott and Snidal 1998, 2000; Lipson 1991), and principals and agents (Hawkins *et al.* 2006).

5 See, for instance, the discussion in Luhmann (1995: chapter 6) of "interpenetration."

6 As evident, for instance, in the publications cited in Note 3, above.

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